

NALEDI LOCAL MUNICIPALITY



ANNUAL REPORT FOR 2011/2012

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CHAPTER 1: INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY

COMPONENT A: MAYOR'S FOREWORD

This report serves to inform council about the overall performance of the municipality with regard to execution of the mandate of municipalities as outlined in section 152 " Objects of Local Government " of the Constitution of the Republic of South Africa. The report is also tabled to comply with Section 46 of the Municipal systems Act 32 of 2000 which outlines the components of the Annual Report to council.

Section 42 of the systems Act further expect of us (as the municipality) to communicate the municipal performance of each financial year with the communities through community involvement mechanisms guided by the municipal policies and the act itself.

This annual report of the financial year ending on the 30 June 2012 was audited by the NW Auditor General of South Africa as per instruction by section 44 of the Municipal Systems Act 32 of 2000.

It should be noted that the Municipality is currently undergoing transformation as a way of ensuring that it moves out of the Red Zone created during the past eras and hope to improve drastically with regards to compliance with the legislation with regards to Good Governance and improve service delivery which is community needs oriented in line with the outcomes approach and the Millinium Development goals

Although the AG gave the "Disclaimer of Opinion" with regards to the municipal performance in the finacial year ended in June 2012, it should be borne in mind that the transition the municipality is undergoing can not turn the tide overnight, it is a process that might take a while but can also be fasttracked by Good Governance and Ethical practices.

The interface between Politics and Administration needs to be emphasized so that there can be proper oversight on administartion as the way towards achieving a clean audit in 2014

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COMPONENT B: EXECUTIVE SUMMARY

1.1. Municipal Manager's Statement

Section 46 of the Municipal Systems Act, 32 of 2000 and Section 121 of the Municipal Financial Management Act, 56 of 2003 (read together) obliges the municipality to prepare an annual report at the end of each financial year (in this case 2012/2013 FY).

Section 121(2 & 3) outlines the purpose of and the components of the Annual Report respectively and seeks to promote performance reporting and accountability in line with Section 152 of the Constitution of the Republic of South Africa.

Section 16 (1)(a)(iii) emphasises the involvement of the community with regards to monitoring and review of the municipal performance including the outcomes and impact of such performance.

Indicatively, this report serves to comply with all the legislative prescripts mentioned above and also outlines the performance of the municipality with regards to service delivery and financial performance of the municipality for the financial year that ended on the 30 June 2012.

This annual report include amongst others; the Audited Annual Financial Statement, the Annual Performance Report, the Auditor General's report and the Action plan with regards to the exceptions raised by the Auditor General for the financial year in question.

Chapter 1 of this document present the general information of the municipality including the Mayor and Municipal Manager's statements, whilst Chapter 2 deals with human resource and organisational management issues. Chapter 3 outlines the performance highlights in line with five key performance areas of local government namely:

- Institutional Transformation and Organisational Development
- Basic Service Delivery and Infrastructure Development
- Municipal Financial Viability
- Good Governance and Public Participation
- Local Economic Development

Although the Auditor General presented the disclaimer of opinion there has been a lot of improvements with regards to compliance and service delivery for the financial year in question.

M T Segapo
Municipal Manager

1.2. Municipal Functions, Population and Environmental Overview

1.2.1 Geographic Profile

Naledi Local Municipality is situated in the DR Ruth S Mompoti District of the North West Province. The municipality shares the borders with Greater Taung Municipality on the South; Kagisano – Molopo on the west, Mamusa Local Municipality on the South – East, Tswaing local Municipality (NMMDM) on the North East.

The extent of Naledi Local Municipality is approximately 7264Km² and is divided into 12 wards. The Municipal area of Jurisdiction of Naledi includes, Vryburg, Kismet park, Huhudi, Colridge, Dithakwaneng, Stella and Devondale, it has Nine (09) Wards.

The municipality has an intersection of two (2) National Roads, namely: N14 and N18. .

Water and sanitation backlog study report of 2007, record 68380 as the total population of Naledi Local Municipality (13.6%) of the total population of Dr Ruth S Mompoti District Municipality of about 500 365 people). Community Survey 2007 total population figure for Naledi Local Municipality was 57 934, which has since increase due to various factors including influx of people from the farms and growth within communities.

Table 1 below outline the population estimates of Naledi Local Municipality:

Municipality	Population estimate	Households total population
Naledi Local Municipality	68 380	16338
Dr Ruth S Mompoti District Municipality	500 365	104 922

Table 1: Population estimates (source : Naledi IDP 2011/12)

Figure 1 below outlines the population versus households:

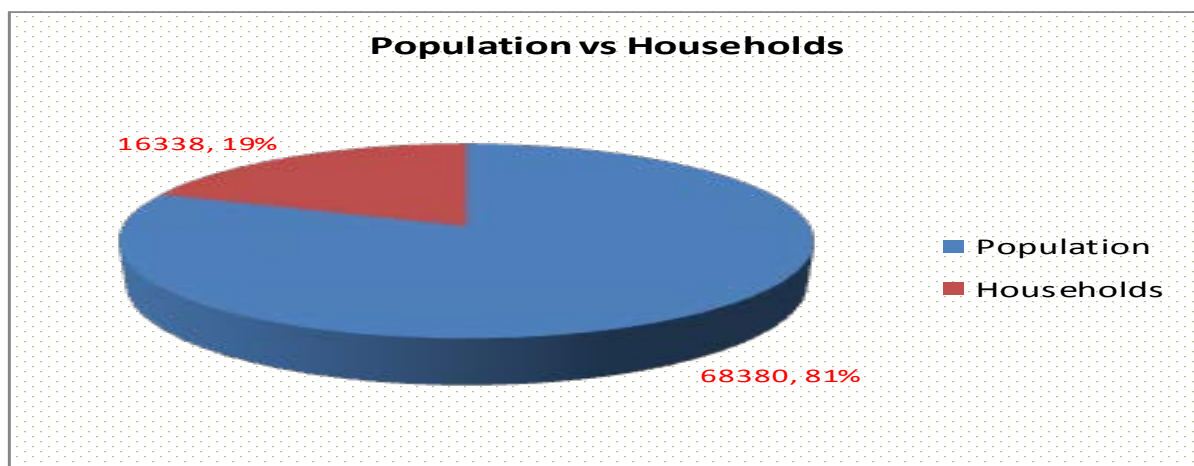
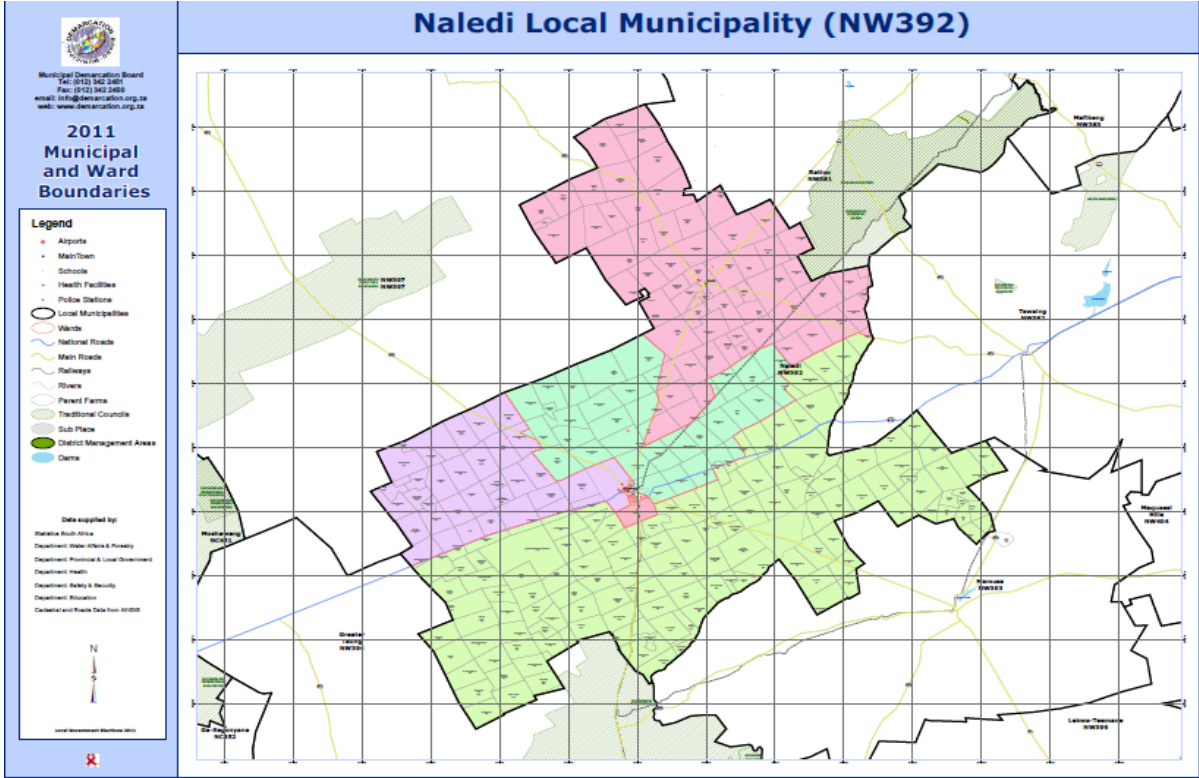


Figure 1: Population vs household Charts (Source: Naledi IDP 2011/12)

The above shows an average household size of 5. This number is high and will put pressure on the provision of water, sanitation and health facilities on the local municipality.

Note: There has been conflicting reports in terms of population in Naledi local municipality. Global Insight survey conducted in 2009 shows a decrease in population within the municipality. Their report indicates the figure at 59417 which is less than the water and sanitation backlog study 2007 at 68380. Census 2001 report also indicates decrease in population.

Figure 2 below outlines the map of Naledi Local Municipality:



1.2.2. Demographic Profile

The apartheid system including the distribution of socio-economic opportunities and amenities in South Africa was based on race.

1.2.2.1. Population by Race and Gender group

Table 2 outlined below indicates the percentage of population group by Gender and Race:

Population group	Male		Female		Total	
	Number	% total population	Number	% total population	Number	% total population
African	26995	39.47%	28429	41.57%	55424	81.05%
White	2416	3.53%	2538	3.71%	4954	7.24%
Coloured	3344	4.89%	3746	5.47%	7090	10.37%
Indian/Asian	457	0.66%	455	0.66%	912	1.34%
TOTAL	33212	48.82%	35168	51.41%	68380	100%

Table 2: Population Group distribution by Race and Gender (Source: Naledi IDP 2011/2012)

Figure 3 below indicates population group distribution by Race and Gender (Source: IDP 2011/2012:)

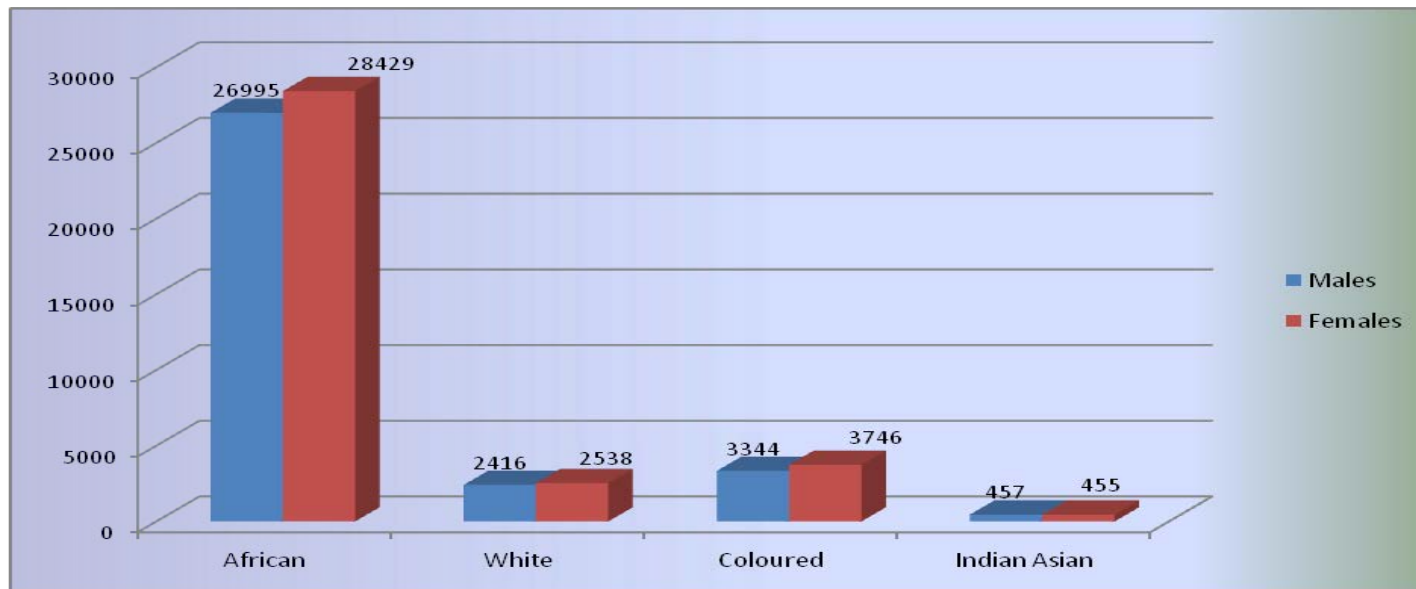
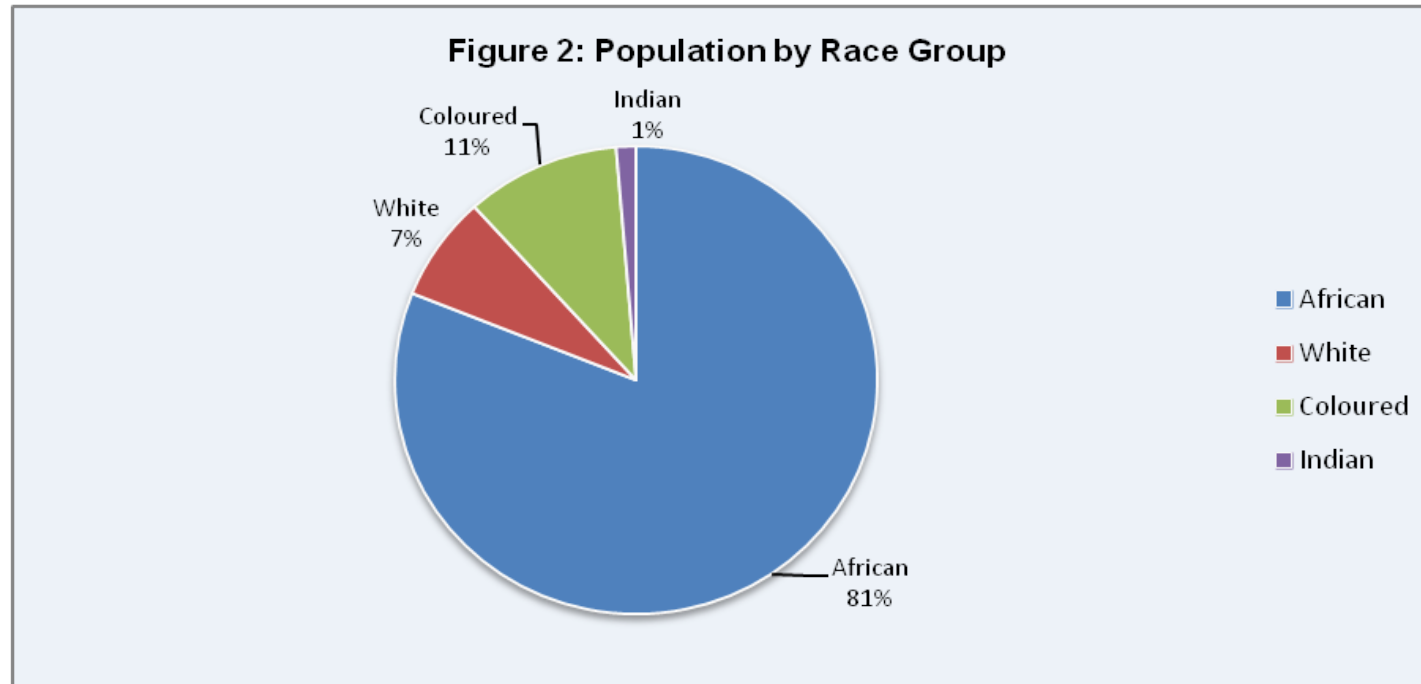


Figure 4 below indicates population by Race Group:



The data on gender and race distribution for Naledi LM shown in Table 2 above confirms the tendency of the dominance of females over males in the local municipality. The reason for this can be attributed to the migration of the males in search of jobs in other spatial systems such as the metropolitan areas and adjacent district municipalities.

The need for empowering women for them to run small businesses is a must. Woman empowerment can also alleviate poverty as people can start involving themselves in cooperatives projects. It will be good to create opportunities that will require participation of group of women like agriculture, food beverages and retail. Selling their products will also play a role in increasing other opportunities.

The majority (over 80%) of the people in the Naledi Local Municipality are Africans, followed by coloureds and whites. The proportion of Asians is very insignificant.

1.2.2.2. Population by Age and Gender distribution

Table 3 below indicates population by age and gender distribution:

Age	African Male	African Female	TOTAL	White Male	White Female	TOTAL	Coloured Male	Coloured Female	TOTAL	Asian Male	Asian Female	TOTAL	SA Male	SA Female	Total M&F
00-04	3674	3922	7596	170	140	310	360	353	713	39	43	82	4243	4458	8701
05-09	3715	3685	7400	199	126	325	402	409	811	37	27	64	4353	4247	8600
10-14	3641	3546	7187	153	163	316	381	389	770	31	42	73	4206	4140	8346
15-19	3460	3664	7124	155	182	337	331	370	701	32	29	61	3978	4245	8223
20-24	1492	2131	3623	118	104	222	329	335	664	25	26	51	1964	2596	4560
25-29	2172	2224	4396	170	206	376	301	280	581	35	32	67	2678	2742	5420
30-34	1943	1545	3488	160	165	325	277	274	551	41	34	75	2421	2018	4439
35-39	1458	1655	3113	125	125	250	229	236	465	27	33	60	1839	2049	3888
40-44	1177	1328	2505	148	168	316	153	230	383	48	39	87	1526	1765	3291
45-49	1223	1255	2478	182	172	354	141	243	384	36	45	81	1582	1715	3297
50-54	1137	1115	2252	153	219	372	146	192	338	39	26	65	1475	1552	3027
55-59	812	852	1664	177	182	359	92	149	241	22	25	47	1103	1208	2311
60-64	451	496	947	181	148	329	65	98	163	11	10	21	708	752	1460
65-69	281	442	723	93	103	196	61	77	138	16	33	49	451	655	1106
70-74	186	231	417	115	167	282	35	54	89	13	4	17	349	456	805
75+	173	338	511	117	168	285	41	57	98	5	7	12	336	570	906
Total	26995	28429	55424	2416	2538	4954	3344	3746	7090	457	455	912	33212	35168	68380

Table 3: Population by Age and Gender distribution (Source: Naledi IDP 2011/12)

A large number of the population is under the age of 19yrs. This reduces skills labour and increases number of dependents. With reduced income most households might be under poverty line.

The african youth population among ages of 00-34 is at 59% of the overall population. Such an increase places a demand on social services needs among communities.

1.2.2.3. Population Growth Rate

The growth rates in the race groups determine the sectors which are growing and becoming important in NLM. Table 4 below shows the races in the increase as Indian/Asian. This means that more trading is taking place but the employment absorption rate is low as the Asians prefer Malawians or Mozambican workers to local citizens. This is a normal practice in Johannesburg. This practice is seen across all sectors of employment.

Race	Male & Female
African	1.00%
White	-4,2%
Coloured	-0,4%
Indian/Asian	5,4%
Total	0,3%

Table 4: Percentage of Population Growth by Race

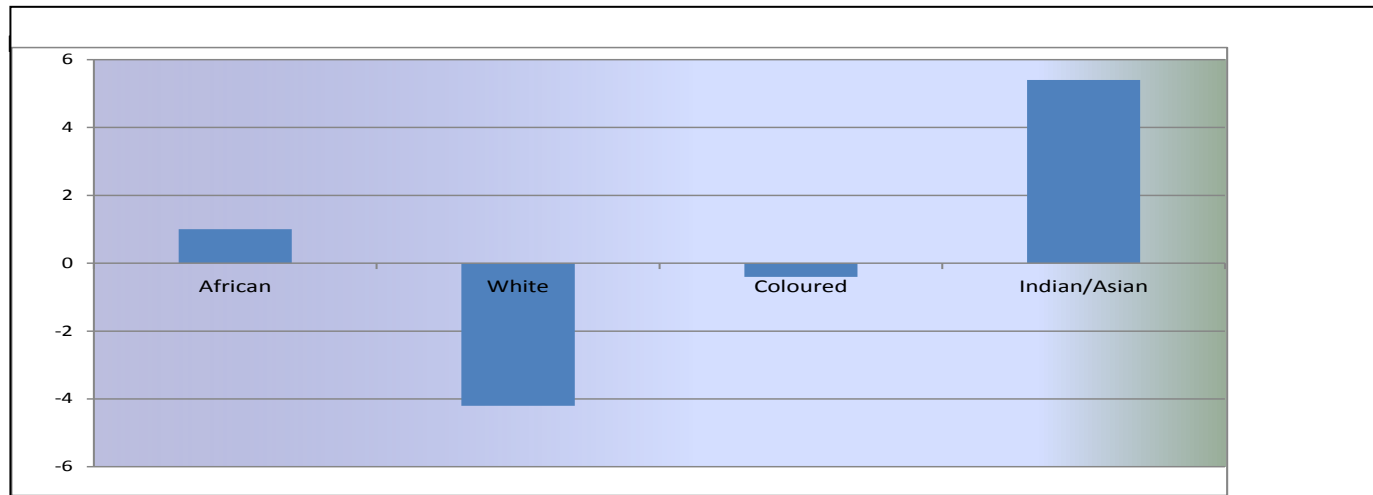


Figure 5: Population Growth Rate per Race (Source Naledi IDP 2011/12)

The Figure 5 above shows a migration of whites and an immigration of Indian/Asians. These shifts indicate decrease in commercial farming and an increase in wholesale and retailing from the Chinese and Pakistan infiltrations. Coloureds are also leaving the area as white farmers are migrating. It should be noted that even there is a shift in population migration in other races, it is different in African population as they move in from different local municipalities.

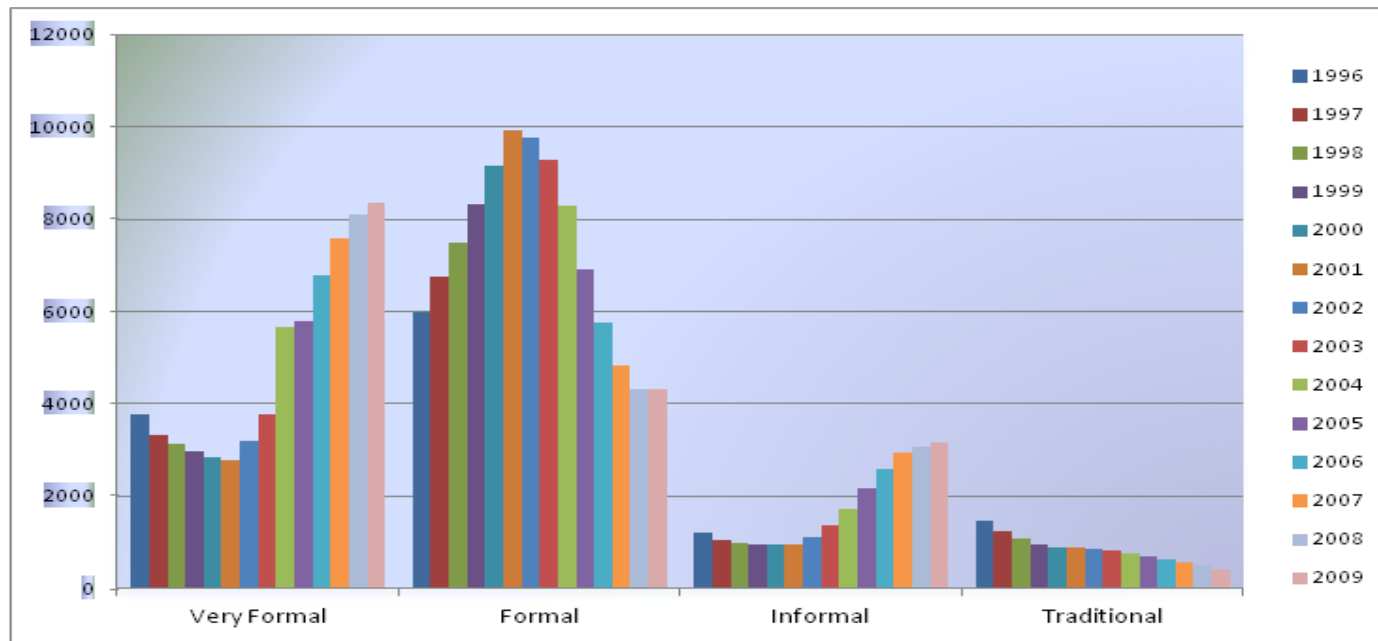
1.2.3. Household Profile

Table 5 below indicates the number of main dwelling types:

Type of dwelling	Number of households per dwelling type
Very formal	8353
Formal	4320
Informal	3154
Traditional	403
Other dwelling types	108
Share of household occupying formal dwellings	77.60%
Formal dwelling backlog (households not living	3665
TOTAL	16338

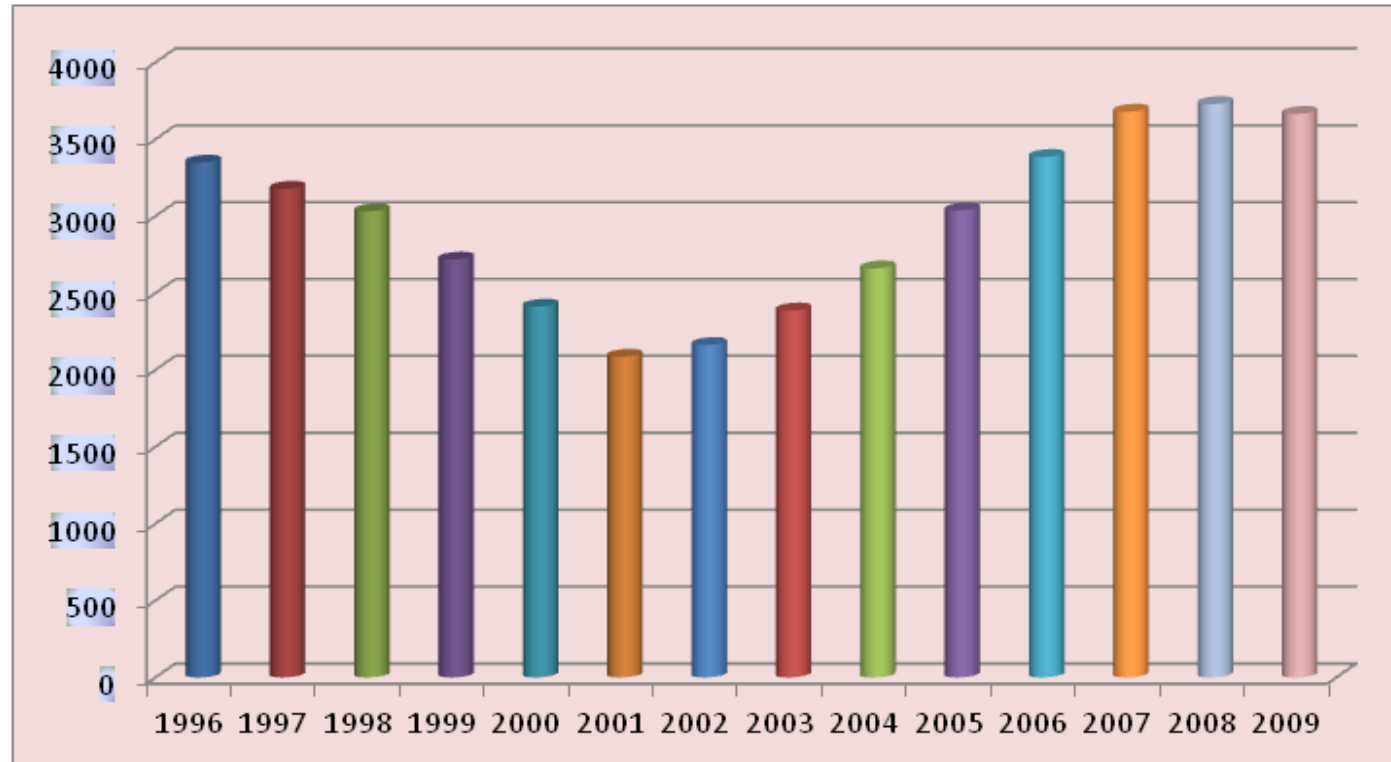
The percentage of households in formal dwellings 78% and this is high. This is an indication that Naledi Local Municipality does not only consist of informal and traditional dwellings.

Figure 6 below illustrates an increase and decrease in the type of dwelling from 1996 to 2009.



A very good progress is seen in very formal dwellings and a reduction in traditional dwellings. However there is a, increase in informal and a decrease in informal dwellings from 2002.

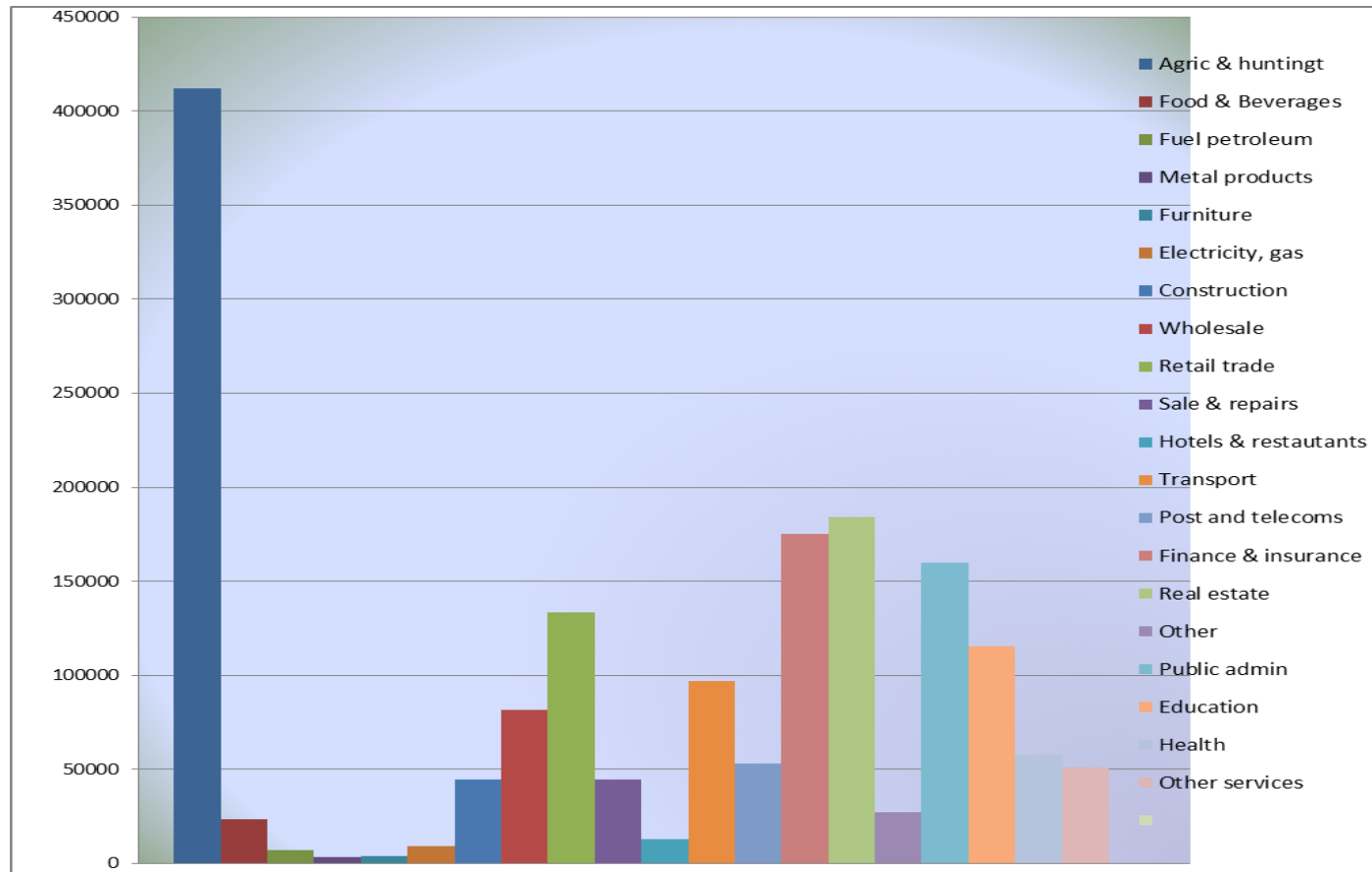
Figure 7 below also illustrates a detailed analysis of a backlog in formal dwellings:



This shows that the backlog has been well managed from 1996 to 2001. However there has been an increase in backlog from 2002 to 2008. This shows bad service delivery in the provision of houses.

1.2.4. Employment

Figure 8 below indicates the top 20 economic sectors in Naledi Local Municipality as per Global Insight 2009:



The figure above shows the main sectors of Naledi Local Municipality. The sectors which are significant contributors are agriculture and hunting (21%), transport (5%), finance and insurance (8%), public administration (8%) health and social (5.8%), education (3%) and food, beverages and tobacco (1%). This also suggests that these sectors are the largest employers in NLM.

Other sectors like fish farming, leather goods are potential for development by SMMEs.

Employment

The current employment situation is analyzed by considering employment in the various sectors, presenting figures of employment and unemployment. The GDP figures above directly point to the sectors which employ the greatest numbers of people. These sectors are agriculture and hunting, public administration, transport, finance and insurance and health and social services.

Population group	Male		Female		Race
	Number	%	Number	%	Total
African	1660	18.1	1669	23.6	3330
White	24	2	40	4.5	64
Coloured	480	44.5	431	40.6	910
Indian/Asian	8	3.9	17	18	25
Total	2172	18.7	2157	23.7	4329
<i>Sources: (Global Insight 2009)</i>					

Unemployment

Table 6 above indicates that forty five percent (45%) of Coloured males and 40.6% coloured females are unemployed. Only 18.1% African males and 23.6% of females are unemployed. This huge difference is explained by the high number of African men who are employed in agriculture and hunting. The high number of coloureds unemployed is a challenge as this could lead to social problems like crime, drug abuse and further depress the upliftment of the racial group in NLM.

1.3. SERVICE DELIVERY OVERVIEW

1.3.1. Health Infrastructure, Sports and recreational facilities

1.3.1.1. Health Infrastructure

Area	Health Infrastructure					
	Hospital	Clinic	Mobile Clinic	Community Health Centre	Local Aids Council	Medical Centre
Vryburg	1		1	1	0	0
Colridge		1				
Huhudi		1				
Stella				1		

Table 7: Health Infrastructure (Sources: (Own source 2011))

Table 7 above indicates that health facilities within Naledi local municipality are within the close proximity and accessible to the community. People are depending on various mode of transport to reach the facilities such as taxis and vehicles. As a result they do not have to depend on government transport.

1.3.1.2. Sports and Recreational Facilities

Area	Sports and Recreational Facilities					
	Vryburg	Huhudi	Colridge	Kismet		
Municipal Swimming Pool	1	1	1	0		
Netball court	3					
Soccer fields	2	1	1	1		
Tennis court	1		1	1		
Cricket fields						
Rugby fields						
Gymnasium	1					

Table 8: Sports and Recreational Facilities Sources: (Own sources and North West Department of Sport 2011)

Table 8 above depicts the number of facilities available in Naledi LM. The sporting facilities provide opportunities for youth to participate in various sporting activities and keep them away from the streets.

1.3.2. Energy and / or Electricity Use

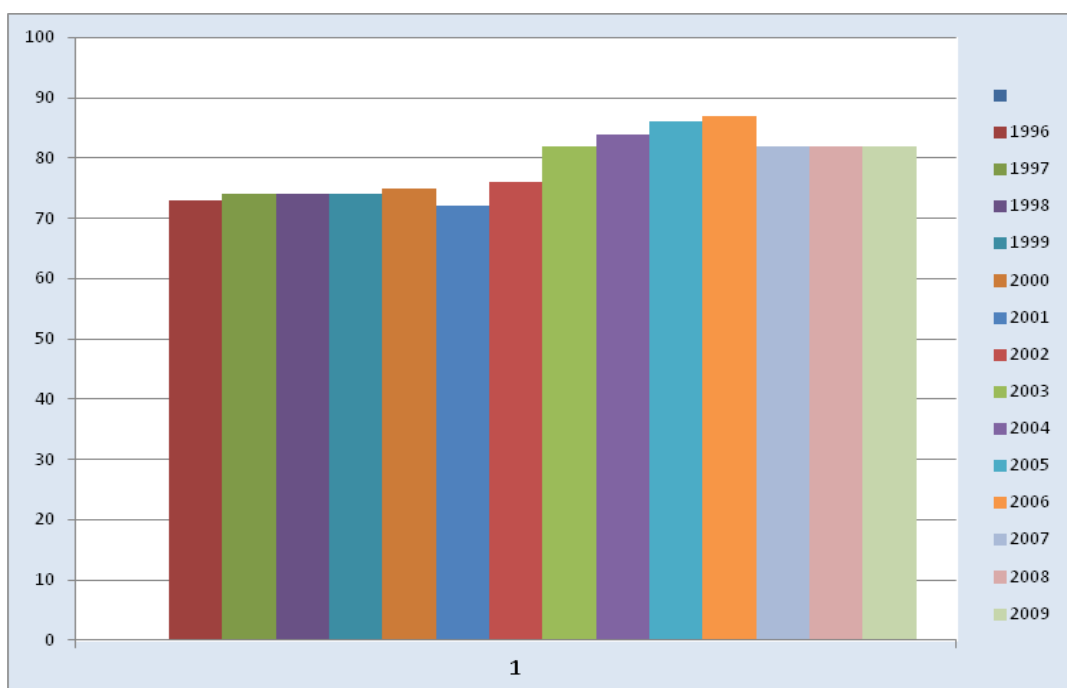
Table 9 below shows the number of households by electricity usage:

Electricity usage	No. Households
Electricity for lighting only	1 994
Electricity for lighting and other purposes	11 634
Not using electricity	2 710
Share of households with electricity connections (%)	68%
Number of households with no electrical connections	2 710
Total	16 338

Table 9: Number of household by electricity usage (Sources: (Global Insight 2009))

The table indicates that a total of 1 994 households (12.2%) use electricity for lighting. An estimated 11 634 households (71.2%) use electricity for lighting and other purposes. About 2 710 households (18.0%) are not using electricity. A further 2228 households or (16.58%) have no electrical connections.

Figure 9 below illustrates the percentage of households with electricity connections



Sources: (Global Insight 2009)

The figure above indicates that the total percentage of households with electricity connections has improved from 72% in 1996 to 83.4% in 2009.

1.3.3. Refuse Removal

Table 10 below indicates the current situation in terms of refuse removal according to Global Insight data (2009)

Removed weekly by authority	12 476
Removed less often than weekly by authority	102
Removed by community members	144
Personal removal (own dump)	2 832
No refuse removal	783
Share of households with formal refuse removal (%)	77%
Number of households with no formal refuse removal	3760
Infrastructure index	0.77
Total	16 338
<i>Table 10 : (Sources: (Global Insight 2009))</i>	

12 476 households (75.3%) of the households have access to formal refuse removal services. These households receive municipal refuse removal services weekly. This number is high and again the NLM is delivering on services.

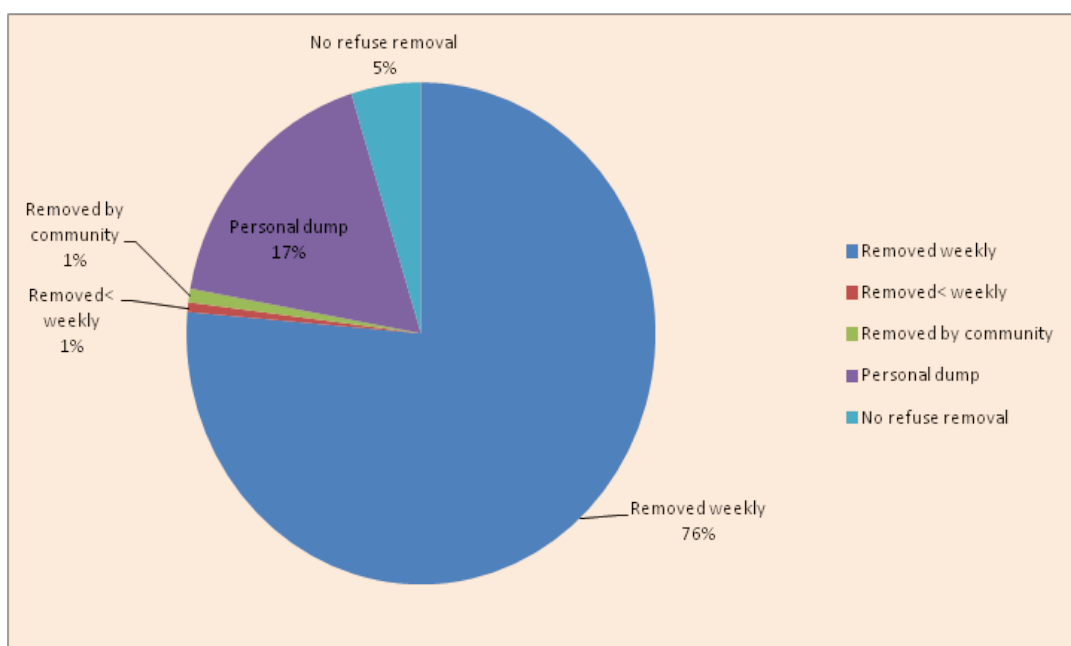
102 households (0.62% households) receive refuse removal less often than weekly by authority.

2 832 households (17%) use own dumping for refuse removal

144 households (1%) receive services from community members for removal

783 households (5%) receive no refuse removal services.

Figure 10 below illustrates percentage number of households with access to refuse removal graphically:



Sources: (Global Insight 2009)

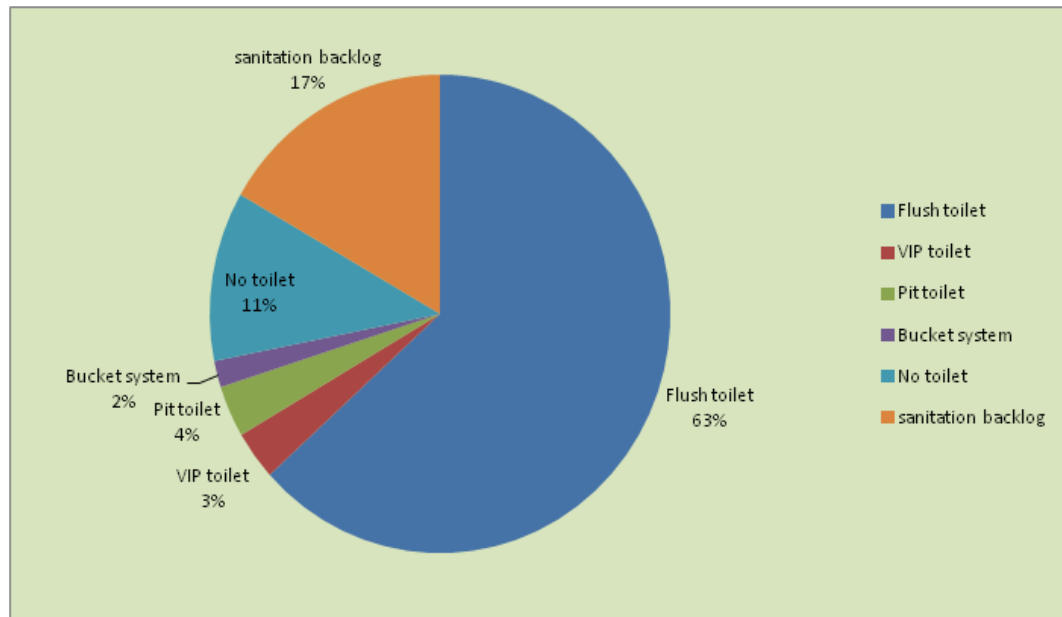
1.3.4. Sanitation

Table 11 below indicates the current situation in the provision of sanitation services according to Global Insight data (2009)

Household by type of toilet	Number of households
Flush toilet (connected to sewerage system)	12 413
Ventilation improved Pit (VIP)	648
Pit Toilet	683
Bucket system	350
No toilet	2245
Share of households with Hygiene toilets (%)	63.00%
Sanitation backlog-number of households without hygienic toilets	3 277
Total	16 338
<i>Table 11 (Sources: (Global Insight 2009))</i>	

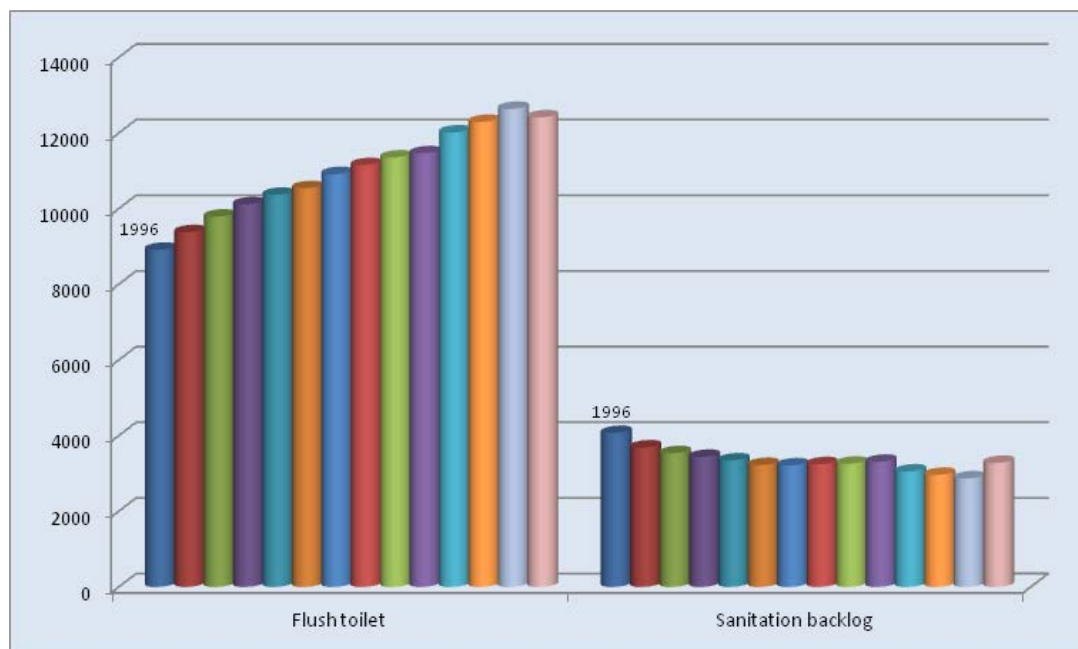
13 061 households (79.9%) in the NLM have access to hygiene toilets;
 3 278 households, or 17% of the households in the NLM are in need of acceptable levels of sanitation services. This backlog needs to be reduced for improved service delivery;
 12 413 households (63%%) use flush toilet;
 648 households (3%) use a pit latrine with ventilation (VIP);
 683 households (4.18%) use a pit latrine without ventilation;
 350 households (2.14%) use bucket latrines; and
 2 245 households (10.8%) have no toilets

Figure 11 below illustrates percentage number of households by type of toilet graphically:



Sources: (Global Insight 2009)

Figure 12 below gives us a detailed analysis of the provision of sanitation by comparing the number of flush toilets with the sanitation backlog from 1996 to 2009



Sources: (Global Insight 2009)

The figure reads with 1996 on the left up to 2009. It indicates that there has been an increase in provision of flush toilets and a slight decrease in backlog, however the backlog figure is small. This shows an improvement in the provision of sanitation.

1.3.5. Water

Table 12 below indicates the current situation in the provision of water services according to Global Insight data (2009)

Levels of water access	Number of households
Piped water inside dwelling	10138
Piped water in yard	3 370
Communal piped water : less than 200m from dwelling (at RDP-level)	744
Communal piped water: more than 200m from dwelling (below RDP)	1 385
No formal piped water	701
Share of households with piped water at or above RDP-level (%)	87.20%
Water backlog-number of households below RDP-level.	2 086
Total	16 338

Table 12: (Sources: (Global Insight 2009))

A total of 15037 households in the NLM have access to acceptable levels of water services.

Of these 10138 households (62%) use piped water inside the dwelling.

3 370 households (20.6%) use water inside the yard.

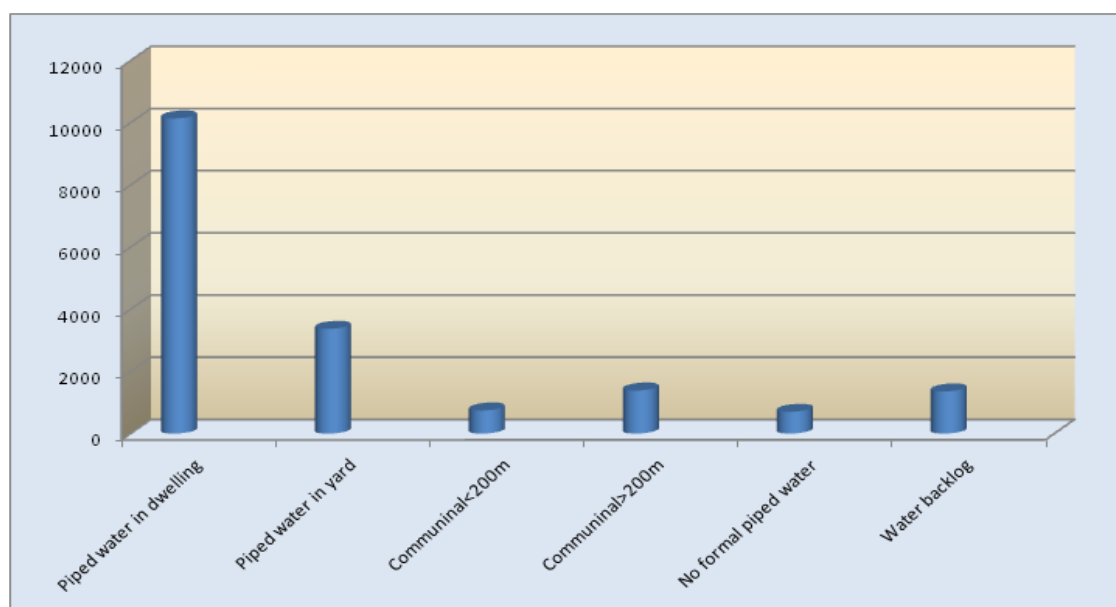
774 households (4.7%) use communal piped water: less than 200m from the dwelling (at RDP-level).

1385 households or (8.5%) households use communal piped water: more than 200m from dwelling (below RDP).

An estimated 87.2% of households share piped water at or above RDP-level

There is a 20.5% water backlog of households below RDP-level.

Figure 13 below illustrates percentage number of households by level of access to water graphically:



Sources: (Global Insight 2009)

Figure 13 clearly shows that NLM is currently moving very well in the provision of services to residents.

1.4. Financial Health Overview

The table below indicates an overview of the Revenue Received and Expenditure Incurred versus the Original and Adjustment Budget.

Explanations have been provided for variances above the threshold of 10%.

	Actual	Adjustments Budget	Variance Over/(Underspent)	Variance	Explanation of significant variances greater than 10% versus budget
	R	R	R	%	
REVENUE					
Property Rates	23 972 037	25 486 520	-1 514 483	-6%	Variance due to penalties disclosed separately
Property rates - penalties imposed and collection charges	1 604 743		1 604 743	100%	No budget was provided for for penalties imposed
Service Charges	123 276 668	126 214 246	-2 937 578	-2%	Variance considered to be immaterial
Rental of facilities and equipment	898 256	512 655	385 602	75%	Facilities were rented out more than anticipated
Interest earned - External Investments	171 007	-	171 007	100%	Variance considered to be immaterial
Interest earned - Outstanding Receivables	9 063 589	7 110 061	1 953 528	27%	Debtors payback term longer than anticipated
Fines	296 799	167 394	129 405	77%	Variance considered to be immaterial
Licences and Permits	1 304 524	1 072 760	231 764	22%	Variance considered to be immaterial
Government grants and subsidies	50 109 122	48 555 000	1 554 122	3%	Variance considered to be immaterial
Other income	2 252 779	24 426 604	-22 173 825	-91%	Income earned from other sources not anticipated
TOTAL REVENUE	212 949 524	233 545 239	-20 595 716	-9%	

	Actual	Adjustments Budget	Variance Over/(Underspent)	Variance	Explanation of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related cost	73 764 489	87 585 000	-13 820 511	-16%	Variance considered to be immaterial
Remuneration of councillors	4 327 562	4 518 000	-190 438	-4%	Variance considered to be immaterial
Bad debts	58 417 200	10 000 000	48 417 200	484%	Increase in impairment of bad debts after thorough review of outstanding debtors, more than anticipated
Depreciation and amortisation	45 016 814	9 800 000	35 216 814	359%	Additional depreciation due to recognition of all infrastructure and community assets
Grants and subsidies paid	388 902		388 902	100%	Variance considered to be immaterial
Finance Costs	9 259 287	5 898 000	3 361 287	57%	More interest paid as loans were not settled in time due to cashflow constraints
Bulk Purchases	41 952 251	41 300 000	652 251	2%	Variance considered to be immaterial
Repairs and maintenance	5 877 635	12 961 000	-7 083 365	-55%	The budget for contracted services were included as part of this amount, therefore expenditure in line
Contracted services	6 603 325		6 603 325	100%	The budget for contracted services were included as part of general expenses
General Expenses	17 946 530	35 648 000	-17 701 470	-50%	Underspending due to cashflow constraints
TOTAL EXPENDITURE	263 553 996	207 710 000	55 843 996	27%	
Gain / (loss) on sale of assets	-5 080	-	-5 080	100%	No budget provided for
Gain/ (loss) on biological assets	-2 006 556	-	-2 006 556	100%	No budget provided for

Gain / (loss) on fair value adjustment -
Biological Assets
NET SURPLUS/(DEFICIT) FOR THE YEAR

Actual	Adjustments Budget	Variance Over/(Underspent)	Variance	Explanation of significant variances greater than 10% versus budget
1 097 665	-	1 097 665	100%	No budget provided for
-51 518 443	25 835 239	-77 353 682	-299%	

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. Political Governance

2.1.1. Municipal Council

MFMA section 52 (a) requires that the Mayor provide general political guidance over the fiscal and financial affairs of the municipality

Naledi Municipality comprise of 18 Councillors, the majority of which are ANC, the DA is the official opposition in Council with eight (8) members and Cope having One (1) representative in council.

The party-political representation of Councilors are reflected in the table below:

INITIALS AND SURNAME OF COUNCILLOR	PR or Ward	Gender	Political Party
1. Cllr. S T Modise (Mayor)	PR	Male	ANC
2. Cllr. N G Mathiba (Speaker)	Ward 2	Female	ANC
3. Cllr J A Adonis	PR	Male	DA
4. Cllr O K Bareki	PR	Male	DA
5. Cllr A N Bareng	PR	Female	ANC
6. Cllr . G A Coetzee	PR	Male	DA
7. Cllr C J Groep	Ward 3	Male	ANC
8. Cllr B M Kegakilwe	PR	Female	ANC
9. Cllr S B Kgodumo	Ward 5	Male	ANC
10. Cllr K K Kgajane	PR	Male	Cope
11. Cllr A Lekgetho	Ward 1	Male	ANC
12. Cllr D P Matobo	Ward 6	Male	ANC
13. Cllr E K Moroka	PR	Female	ANC
14. Cllr M J Nchochoba	Ward 9	Male	ANC
15. Cllr H L Pretorius	Ward 7	Female	DA
16. Cllr E G Ramorogadi	Ward 4	Male	ANC
17. Cllr E P Renoster	PR	Male	DA
18. Cllr N R Thekisho	Ward 8	Female	ANC

2.1.2. Political Leadership

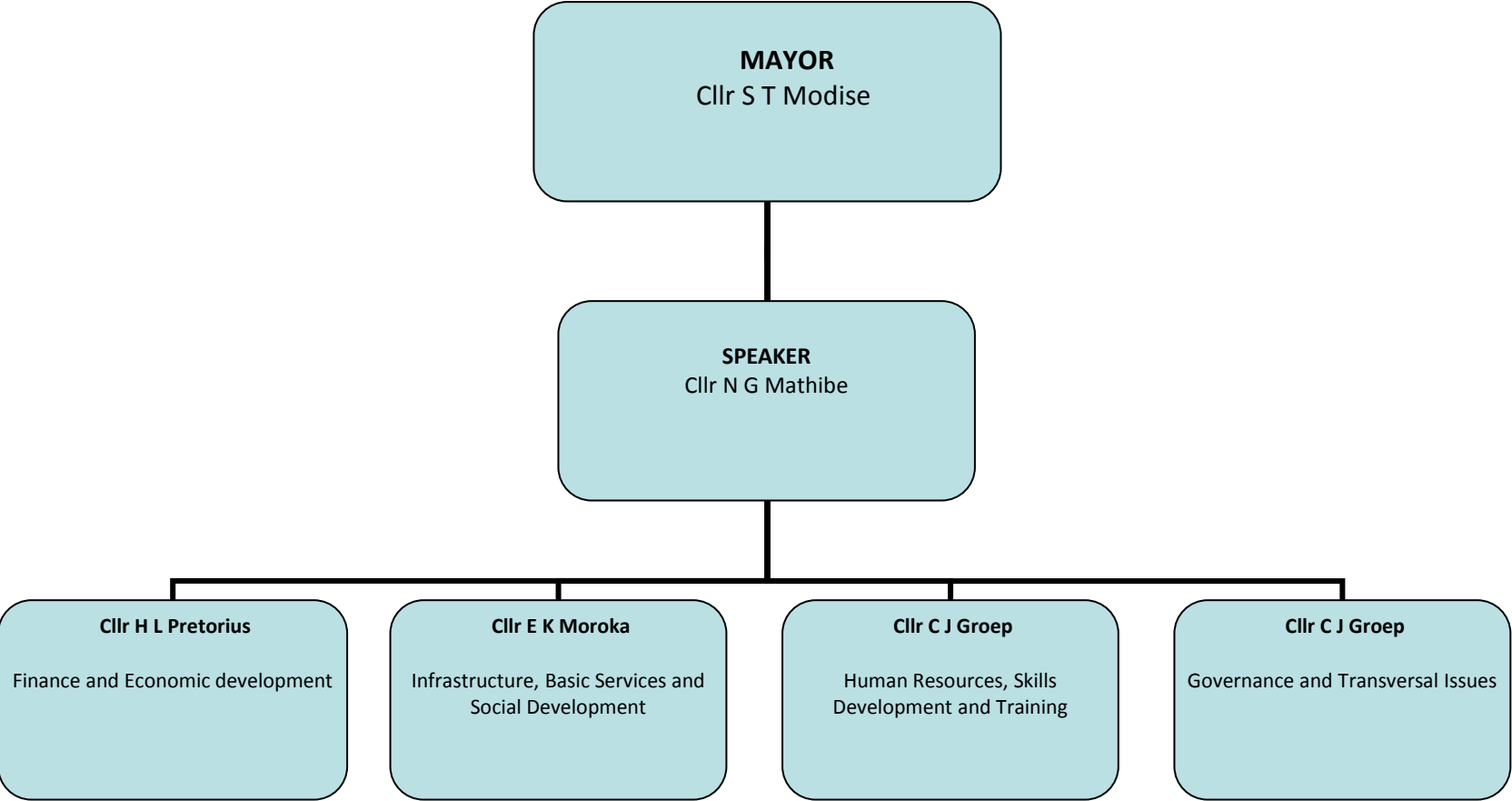
Members of the Executive Committee:

Name	Designation
S T MODISE	Mayor
N G MATHIBA	Speaker
C J GROEP	Member
E K MOROKA	Member
H L PRETORIUS	Member

The Mayor is the chairperson of the Executive Committees.

2.1.3. Governance and Political Structure

The table below illustrates the Governance and Political Structure:



2.2. Administrative Governance

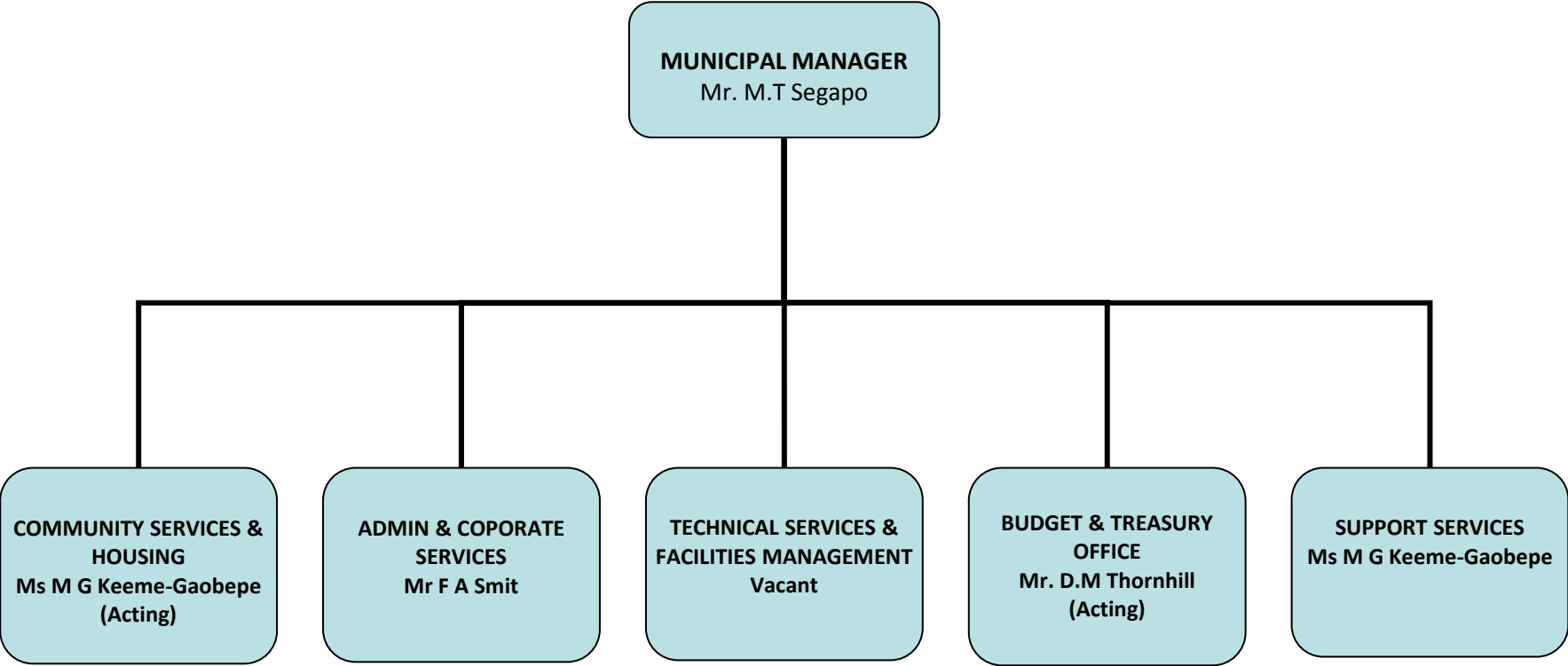
2.2.1. Departments and their Functions:

The Municipal Manager is responsible for the overall management of the municipality. The administrative wing of the municipality is made up of 5 departments, including the Office of the Municipal Manager. The departments and their functions are contained in the table below:

Department	Functions
Office of the Municipal Manager	IDP
	PMS
	Internal Audit
	Local Economic Development
	Community Participation and Outreach
	Communication
Corporate Support Services	Human Resource and Skills Development
	Labour Relations and Policy Development
	Corporate Administration and Council Support Services
	Information Technology
Budget and Treasury Office	Revenue and Expenditure Services
	Financial management and Budgetary Services
	Supply Chain Management Services
	Administration and Maintenance of the Municipal Assets
Community and Support Services	Solid Waster Management
	Housing
	Town Planning
	Law Enforcement
	Licensing
	Fire and Emergency Services
Technical Services	Municipal Roads and Storm Water
	Water Services Facilitation
	Electricity

2.2.2. Municipal Top Organizational Structure

Below is the Municipality Top Organizational Structure



2.3. Performance Highlights of Governance and Public Participation

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
STRATEGIC PLANNING AND PERFORMANCE UNIT							
Provide Municipal Planning and Performance Management	Number of IDP Rep Forum Meetings held	1	2	<u>Target achieved:</u> 2 IDP Rep Forum Meetings were held	Operational	N/A	N/A
	2012/13 IDP Reviewed	1	May-12	<u>Target Achieved:</u> 2012/13 IDP was reviewed	Operational	N/A	N/A
	Municipal IDP Process Plan adopted by Council	1	Aug-11	<u>Target Achieved:</u> Municipal IDP Process Plan was adopted by Council on the 7th of September 2011 per council resolution 170/2011	Operational	The next council meeting was only scheduled on the 7 th of September 2011	N/A
	2009/10 PMS Framework Reviewed	1	May-12	<u>Target Achieved:</u> 2009/10 PMS Framework was reviewed	Operational	N/A	N/A
	Number of Quarterly Performance Reports submitted to council	4	4	<u>Target Not Achieved:</u> No quarterly performance reports were prepared and submitted to council	Operational	The delay was due to internal incapacity to develop the PMS unit. However quarter 1 & 2 were handled during the Mid-term review	To capacitate the PMS unit in order to establish the Performance Management System for 2012/2013 financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide Municipal Planning and Performance Management	Number of Quarterly Assessment Reports	0	4	<u>Target Not Achieved:</u> No quarterly assessment reports were done	Operational		
	2011/2012 Mid Term Performance Review	1	Jan-12	<u>Target Achieved:</u> The 2011/12 mid-year budget and performance assessment report as well as the adjustment budget were submitted to council for adoption on the 31 January 2012 per resolution number 35/2012	R20'000.00	N/A	N/A
	2010/11 Annual Report adopted by Council	1	Jan-12	<u>Target Achieved:</u> The 2010/11 Annual Report was adopted by council on the 31 January 2012 per council resolution 34/2012	Operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide Municipal Planning and Performance Management	2010/11 Oversight Report	1	Mar-12	<u>Target Achieved:</u> The oversight report was adopted by council on the 29 March 2012 per council resolution no. 96/2012 after the council had fully considered the annual report of the Municipality	Operational	N/A	N/A
SHARED INTERNAL AUDIT UNIT							
To provide effective and efficient Internal Audit Function	Development of Annual Audit Plan	New	Dec-11	<u>Target Achieved:</u> Annual Audit Plan developed in October 2011	DRRSMDM	N/A	N/A
	Number of Audit Reports Developed	New	4	<u>Target Achieved:</u> The following 4 reports were developed:	DRRSMDM	N/A	N/A
				1. Revenue Management			
				2. Cash Management			
				3. Supply Chain Management			
				4. Human Resource Management			
	Risk Assessment conducted	New	Feb-12	<u>Target Achieved:</u> Risk assessment conducted in July 2011	DRRSMDM	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
To provide effective and efficient Internal Audit Function	Risk Management Plan developed	New	Dec-11	<u>Target Not Achieved:</u> Risk Management Plan not developed	DRRSMDM	The service is rendered by the Internal Audit Shared Service Unit from the DRRSMDM and the process is not streamlined	To make plans to establish our own internal audit unit
	Number of Audit Committee Reports sent to council	New	4	<u>Target Not Achieved:</u> Audit committee reports not prepared and not sent to council	DRRSMDM	The service is rendered by the Internal Audit Shared Service Unit from the DRRSMDM and the process is not streamlined	To make plans to establish our own internal audit unit
To provide effective and efficient Internal Audit Function	Number of Internal Audit Reports submitted to council	New	4	<u>Target Not Achieved:</u> Internal Audit Reports not submitted to council	DRRSMDM	The service is rendered by the Internal Audit Shared Service Unit from the DRRSMDM and the process is not streamlined	To make plans to establish our own internal audit unit
	Internal Audit Charter Revised	New	Mar-12	<u>Target Not Achieved:</u> Internal Audit charter revised	DRRSMDM	N/A	N/A
	Audit Committee Charter Revised	New	Mar-12	<u>Target Achieved:</u> Audit Committee charter revised	DRRSMDM	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
COMMUNITY PARTICIPATION AND OUTREACH UNIT							
Promote Good Governance and Public Participation	Number of councilor capacity building programmes implemented	New	3	<u>Target Not Achieved:</u> No councillor capacity building programmes were implemented	Operational	Some councillors delayed with the submission of CV's	Needs for skills has to be identified before planning/implementing the training programme. Therefore the speaker to make follow up with councillors
	Communication strategy Developed	New	Dec-11	<u>Target Not Achieved:</u> Communication strategy not yet developed	Operational	The District Municipality and the provincial department of GCIS delayed the development process and the communication unit not yet established	Communications Unit to be established in the next financial year
	No of newsletters published	New	1	<u>Target Not Achieved:</u> No newsletters were published	Operational	Communication unit not yet established	
Promote Community Participation	Customer Satisfaction Survey Conducted	New	Mar-12	<u>Target Not Achieved:</u> No customer satisfaction survey was conducted	Operational	Complaints handling system and Unit has been non- existent	The survey to be included in the 12/13 FY plan Electronic Complaints Handling system to be developed and systems unit to be

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Promote Community Participation	Number of established Ward Committees	Term of Office for Ward Committees ended on the 17 May 2012	09 Ward Committees	<u>Target Achieved:</u> 9 ward committees were established	Operational	N/A	N/A
	Inducted Ward Committees	Ward Committee established	09 Ward Committees	<u>Target Achieved:</u> Ward committee members were inducted on the 13th October 2011	Provincial Dept of LG & TA	N/A	N/A
	Reviewed Public Participation Policy	Public Participation Policy exist	Nov-11	<u>Target Not achieved:</u> Public Participation Policy not yet reviewed	Operational	Lack of capacity in the Public Participation and outreach unit	The unit to be capacitated and policy reviewed and adopted in the next financial year
Promote Good Governance and Public Participation	Number of Ward Committee Trainings held	Ward Committees needs training	Mar-12	<u>Target Achieved:</u> 2 ward committee trainings were held in March 2012 as follows: 1.On core municipal processes; and 2.On report/minutes writing by Local government	Provincial Dept of LG & TA	N/A	N/A

CHAPTER 3 SERVICE DELIVERY

3.1. INTRODUCTION

Naledi Local Municipality plays a central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to the social well-being and economic activity. Naledi Local Municipality is providing free basic services in terms of the National Policy on free basic services.

The Municipality provides services such as water, sanitation, electricity, municipal roads, refuse removal and human settlements (Housing) to its community. The free basic electricity is not applicable, refuse removal is granted at 100% and rebate on property rates is granted to poor households who are registered as indigent households in terms of the Indigent Policy. The free basic water and sewerage is provided to all domestic or residential users of water and sewerage irrespective of whether it is an approved indigent household or not.

Furthermore it is responsible for the development of infrastructure throughout the Municipal area. This infrastructure includes construction of municipal roads, cemeteries, Electrification, Street lighting and Sewerage. The tables below indicates the projects that are undertaken by the Municipality and the performance highlights on such projects to ensure development throughout the Municipal area.

3.2. Performance Highlights for Basic Service Delivery and Infrastructure Development

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
INFRASTRUCTURE INVESTMENT AND PROPERTY MANAGEMENT							
WATER UNIT							
Provide water	Additional boreholes integrated to existing water infrastructure	Three boreholes sunk but not equipped	3 by June 2012	<u>Target Partly Achieved:</u> 1 x Borehole equipped	R80'000.00	Service providers not appointed in time by the Water Service Associations	Proper and Integrated planning between Local and District municipality to be facilitated
	Number of Mega litres of water purified per day	Unreliable water purification Plant	7ML/day	<u>Target Not Achieved:</u> 5 Mega litres purified per day	R30'000.00/day	Lack of full control of the plant as the Municipality rely on Sedibeng Water Board	To build internal capacity and assume full control of the plant by 2012/13 financial year
	Number of Households connected to water at Dithakwaneng	New	630 by June 2012	<u>Target Not Achieved:</u> No households were connected with water at Dithakwaneng	R180'000.00	Connections point were installed in the village and the municipality is still waiting for District Municipality to lay the bulk lines	The Local Municipality to follow up with the District Municipality to expedite the process of laying of Bulk Lines
	Faulty water meters replaced	Water meters are faulty	Jun-12	<u>Target Achieved:</u> 11 faulty water meters replaced for the 2011/12 as and when they occurred	R52'000.00	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
SANITATION UNIT							
Provide sanitation	Number of H/h with access to Sanitation in Dithakwaneng and Ext 25	630 h/h without access to Sanitation at Dithakwaneng	630 households of by June 2012	<u>Target Not Achieved:</u> None of the households had access to sanitation at Dithakwaneng	R10' 000-00	Due to the delay by District Municipality and incompetent service provider	To follow up with the District Municipality and appoint another service provider
		1000 h/h without access to Sanitation at Ext 25	1000 households of by June 2012	<u>Target Not Achieved:</u> None of the households had access to sanitation at Ext 25		Due to the delay by District Municipality and incompetent service provider	To follow up with the District Municipality and appoint another service provider
	Increased Sewer plant Capacity	Waste water treatment plant under capacity	10MGL	<u>Target Not achieved:</u> The plant is still not under capacity	Nil	The process of role clarification on powers & functions and disbursement of funds received on behalf of Locals is still on-going	To speed up the process in the 2012/13 financial year in order to capacitate the plant in consultation with the District Municipality as they have to assist with the implementation of the project.
	Additional oxidation pond in Stella built	Oxidation pond in Stella has the capacity of 870 Kilo litres	Jun-12	<u>Target Not achieved:</u> No additional oxidation pond were built in Stella	Nil	Lack of Financial support from Water Service Association and District Municipality	Following up with the District to allocate funds in the next financial year to start the project

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide sanitation	Number of LDVs replaced at sewer plant/section	Vehicles old & not operational	3 by December 2011	<u>Target Partly Achieved:</u> 2 Light Delivery Vehicles were purchased on the 12 January 2012 and 03 November 2011	Nil	The delay was due to the suppliers delay with quotations and procurement systems in terms of approval	One (1) additional LDV to be bought for Sewer plant/section by the next financial year
ELECTRICITY UNIT							
Provide Electricity to Community	Number of Households with electricity connections at EXT 25	New	1 500 by June 2012	<u>Target Not Achieved:</u> No households were connected with electricity	Nil	Project stalled due to failure of the service provider Houses illegally occupied and the matter is in court Contractual problems and an interdict by one service provider	The completion of the Households to be expedited by the next
	Number of Households with Solar geysers	No households with government financed Solar Geysers	Solar Geysers installed in 5 247 households by June 2012	<u>Target Not Achieved:</u> 1340 h/h with Solar Geysers installed by 30 June 2012	ESKOM	The quality of Water is not appropriate for the system(according to the Service provider) Dept of Energy to verify the report of the service provider	A fully fledged feasibility study to be conducted by DoE and the Project to be restarted
	Replace 740 faulty electrical meters	Faulty Electricity meters	740 meters replaced	<u>Target Not Achieved:</u> 162 faulty electricity meters installed by 27 June 2012	R33 400.00	The delay was due to internal incapacity and lack of support from internal department corporate services to provide training for the works	Capacity to be improved in the Unit and support to be provided by the Budget Treasury Office

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide Electricity to Community	Developed Energy master Plan	No energy master plan	Jun-12	Target Not Achieved: The Energy Master Plan not yet developed	R333'000.00	The service provider has just been appointed	The development process to be expedited by the next financial year
ROADS AND STORM WATER UNIT							
Provide Roads	Length of road upgraded	3.9km surfaced roads and 4 km of gravel roads upgrade	12km (2700m)	Target Not Achieved: Length of road not yet upgraded. The project is 90% to be completed	R12'144'308.14	The delay was due to the occurrence of variation order that were identified and needed to be pledged and also late payment of the contractor	Appointment of the Executive Manager Technical services to be expedited to ensure project is done on time
Provide Maintenance of Internal Roads	M ² of potholes patched	New	Not set	Target Achieved: 3254M2	R1'305'703.00	EPWP Contract employees enhanced performance in the provision of roads maintenance	N/A
	M ² of Paved Roads	New	Not set	Target Achieved: 1091m2			
	Re-gravelling of Roads	New	Not set	Target Achieved: 6.7 km			
	Development and Repair of Water Channels	New	Not set	Target Achieved: 240M3			
	Provision of new tipper truck	Trucks are old and unreliable	Tipper truck provided	Target Not Achieved: Tipper trucks not yet bought	Nil	The delay was due to internal incapacity, lack of support from internal department and poor cash flow	Cash flow to be improved by the next financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
COMMUNITY SERVICES AND HOUSING							
SOLID WASTE MANAGEMENT UNIT							
Achieve a Safe and healthy environment	Regular Refuse collection	Irregular Refuse collection	Once a week (households)	<u>Target Achieved:</u> Household refuse collected once a week	R1'930'765.71	N/A	N/A
			Thrice a week (business)	<u>Target Achieved:</u> Business refuse collected three times a week		EPWP contract employees assisted in the enhancement of Regular Refuse Removal function	N/A
			Daily (transfer stations)	<u>Target Partly achieved:</u> The refuse was not collected daily at transfer stations		Mass container removal truck under repair	1. Advertised the temporary closer of the transfer station on local newspaper; and 2. Refuse truck for daily transfer station removal to be purchased in the next financial year.
	Number of Cleaning campaigns conducted	3 Campaigns	18 campaigns	<u>Target Not Achieved:</u> 2 x Cleaning Campaigns were conducted	R30'000.00	The delay in the campaigns was due to a delay in the purchasing of material or tools needed for cleaning.	Allocation of more funds on campaigns, to ensure that the cleaning campaign are achieved so that they are achieved per target in the next financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Achieve a Safe and healthy environment	Number of mass containers provided	limited mass containers	20	<u>Target Not Achieved:</u> Mass containers not purchased / provided	Nil	The delay was due to the internal incapacity to develop terms of references that were clear and specific to the nature of the tender which resulted to procurements system delay	To appoint a service provider to develop an annual program for solid waste management unit in the next financial year
	A new compactor truck purchased	1 compactor truck exist	Jan 2012	<u>Target Not Achieved:</u> A new compactor truck was not purchased	Nil	Provision for truck purchasing was not included in the Budget	To make provision for the purchasing of the truck in the new Budget
	A new landfill site established in Stella	No permitted landfill site	Jun-12	<u>Target Not Achieved:</u> No new landfill site was established in Stella	Nil	The Landfill site was not in the Budget	The need to be prioritised and included in the 2014/15 IDP
	Number of households with refuse bins	4000 h/h without refuse bins	4000 bins	<u>Target Not Achieved:</u> Refuse bins not purchased for households	Nil	There was financial constraints	Purchasing of the refuse removal bins to be included in the next financial year budget
	Fenced Graveyard at Colridge	The Fence of the old grave yard vandalised	Mar-12	<u>Target Not Achieved:</u> Graveyard not yet fenced at Colridge	Nil	The activity was not budgeted for	The matter to be considered in the 2013/14 financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
HOUSING UNIT							
To provide adequate Housing	Provide 3000 houses to Ext 25 & 28	Provide houses to indigent community	Build 1200 houses by 2012	<u>Target Not Achieved:</u> House unit not yet build but +-2000 housing application forms(deeds of sale) were obtained as part of the planning stage	Nil	Delay, due to the investigation of the service provider appointed to build houses	Resuscitation of the Housing Steering Committee to be established to start the project
TOWN PLANNING UNIT							
To provide adequate Housing	Strategy on dealing with undeveloped sites	No strategy in place	Mar-12	<u>Target Partly Achieved:</u> No strategy in place	Nil	Due to terms of references that where not clear and specific on the nature of the strategy and no functional property division within Organizational structure assigned to deal with immovable properties and the identification of undeveloped sites and disposals	To appoint a service provider to develop the strategy in the next financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
To provide adequate Housing	Turnaround time on evaluation of Housing plans	60 days	14 days	Target Not achieved: Housing plans not yet evaluated but the schedule book submitted building plans which indicated that the approval of the plans took more than 20 days	Nil	Inadequate Staff and slow response from supporting units	Establish a fully functioning property division assigned to develop the property strategies. 2. Appoint building inspectors.3.Set time frame for other departments input.
LICENSING AND LAW ENFORCEMENT UNIT							
LAW ENFORCEMENT UNIT							
Provide a safe traffic flow	Traffic Management Strategy developed	No strategy in place	Mar-12	Target Not achieved: Traffic management strategy not developed	Nil	The delay was due to internal incapacity to develop the Traffic Management strategy and the vacant position of the Chief Traffic and Licensing Officer	The Strategy to be developed and adopted with other policies in the next financial year. To expedite the appointment of the Chief Traffic Licencing Officer by next financial year
	Stop and Check	Operation are done on adhock	Not set	Target achieved: 1306 stop and checks conducted	Operational	N/A	N/A
	Funeral escort			Target achieved: 68 funeral escort provided as and when required	Operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide a safe traffic flow	Abnormal load Escort	Operation is done as and when there is a request		<u>Target achieved:</u> 32 abnormal load escorted as and when required	Operational	N/A	N/A
	VIP Escort			<u>Target achieved:</u> No VIP escort was required	Operational	N/A	N/A
	Notices Issued			<u>Target achieved:</u> 1750 notices issued	Operational	N/A	N/A
	Traffic Fines Collected	Operation are done on adhock		<u>Target achieved:</u> R147'010.00 traffic fines collected	Operational	N/A	N/A
	Warrant of Arrest Issued	No programme in place		<u>Target achieved:</u> 209 warrant of arrest issued	Operational	N/A	N/A
	Warrant of Arrest Executed			<u>Target achieved:</u> 124 warrant of arrest executed	Operational	N/A	N/A
	Scholar Patrol	Operation is done on adhock Bases		<u>Target achieved:</u> 02 scholar patrol provided	Operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide a safe traffic flow	Protest / Peaceful March	Operation is done as and when there is a request		Target achieved: 01 protest controlled for peacefulness	Operational	N/A	N/A
LICENSING UNIT							
Provide a safe traffic flow	Number Learners License tests	Not set	Not set	Target achieved: 4466 learners license tests conducted	Operational	N/A	N/A
	Number Driver's License tests			Target achieved: 6862 driver's license tests conducted	Operational	N/A	N/A
	Number of Renewed Registration Licence			Target achieved: 23378 renewed registration license conducted	Operational	N/A	N/A
Provide a safe traffic flow	Number of New Registrations			Target achieved: 3959 new registration done	Operational	N/A	N/A
	Number of Motor vehicle tested for Road worthy			Target achieved: 1118 motor vehicle tested for road worthy	Operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Provide a safe traffic flow	Number of Vehicles tested for Fitness			Target achieved: 415 vehicles tested for fitness	Operational	N/A	N/A
	Number of Permits issued			Target achieved: 197 permits issued	Operational	N/A	N/A
	Number of PDP Issued			Target achieved: 840 PDP issued	Operational	N/A	N/A
FIRE AND EMERGENCY SERVICES							
Provision of fire & Rescue services	Dispatch time to fire incidents	5 minutes	3 minutes	Target Achieved: Most fire incidents occur at close range or within the municipal radius which result to positive feedback or a good response to the public.	Operational	N/A	N/A
Disaster Management Services	% of Public Institutions provided with evacuation plans	25%	22%	Target Achieved 22% achieved as follows: 10 x Petrol Stations (BP Truck Inn, Mams, Sydney hunt, Toyota, 2 x Engen, Caltex, Excell, Total, Shell)	Operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Disaster Management Services				11x Schools (moeti, Puel Leeuw, Mokgosi Retladira, Thuto Lesedi, Bopaganang, John Frylinck, Stellaland, Vryburg HS, Preparatory, Colinda HS)			
				02 x Old Age Institutions			
	Percentage of disaster incidents attended to	100%	191 fire incidents 33 Accidents	Target Achieved: 191 fire incidents were attended to and 33 accidents	Operational	N/A	N/A

CHAPTER 4 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

4.1. The Municipal Organisational Structure

The administrative structure of the municipality is made up of a total of 432 employees. The organizational structure was under review during the 2010/11 with the view to align it with the powers and functions of the IDP. The organisational structure for 2011/12 is still under review.

The municipality had also developed and implemented the Workplace Skills Plan (WSP) for the year under review, and employees and Councillors were trained in line with the plan in order to ensure that there is improvement in performance. Skills development will continue to be at the centre of the municipal operation in the coming years.

4.1.1. Municipal Top Organisational Structure

The senior management structure of the municipality is depicted on Chapter 2 point 2.2.2

4.1.2. Detailed Administrative Organisational Structure

The detailed administration organisational structure is depicted as follows as per Programme:

4.1.2.1. Office of the Mayor

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Professionals	0	1	0	1
Semi-skilled	1	0	0	1
Total	1	1	0	2

4.1.2.2. Office of the Speaker

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s				
Middle Managers				
Professionals				
Technicians and associate professionals				
Clerks	1			1
Total	1			1

4.1.2.3. Office of the Municipal Manager

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1			1
Middle Managers				0
Professionals	3	1		4
Skilled	1	1		2
Semi-skilled	1	1		2
Unskilled		2		2
Temporary	1	2		3
Total	7	7	0	14

4.1.2.4. Corporate Service

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1			1
Middle Managers				0
Professionals	1	2		3
Skilled				0
Semi-skilled	1	5		6
Unskilled		1		1
Temporary	3	3		6
Total	6	11	0	17

4.1.2.5. Finance

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s		2		2
Middle Managers				0
Professionals	4	7		11
Skilled		1		1
Semi-skilled	11	13		24
Unskilled		1		1
Temporary	1	3		4
Total	16	27	0	43

4.1.2.6. Technical Services

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1			1
Middle Managers				0
Professionals	2			2
Skilled	11	3		14
Semi-skilled	30	3		33
Unskilled	77	8		85
Temporary				0
Total	121	14	0	135

4.1.2.7. Community Services

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1			1
Middle Managers				0
Professionals	9	2		11
Skilled	15	5		20
Semi-skilled	56	26		82
Unskilled	74	25		99
Temporary	4	2		6
Total	159	60	0	219

4.1.2.8. Stella Unit

Number Employees				
Type/Level	Gender		Vacant	Total Number
	Male	Female		
Senior Manager/s	1			1
Middle Managers				0
Professionals				0
Skilled	3			3
Semi-skilled	4	4		8
Unskilled	16	2		18
Temporary				0
Total	24	6	0	30

4.2. Capacitating the Municipal Workforce

As required by the municipal regulation on minimum competency level as well as the municipal system act (Act 32 of 2000), we have identified skills gap as per the Work Skills Plan and through assessment of the qualification backgrounds for section 57 manager & other line managers in order to assess how far they are academically.

A total of 81 employees received training in the 2011/12 financial year at a cost of R235 530.00

The following table provides a breakdown of training beneficiaries:

DESCRIPTION	NUMBER
Directors and Corporate Managers	4
Professionals	10
Clerical and administrative workers	25
Legislators	2
Community and personal service	6
Labourers	30
Machine operators and drivers	4
Total	81

4.3. Personnel Expenditure

The following table depicts trends on personnel expenditure over the past three years compared to total budget (including Councillors Allowances):

2011/12	
Total Operating Budget	Personnel Expenditure
87 585 000	78 092 051
2010/11	
Total Operating Budget	Personnel Expenditure
68 700 000	67 954 772
2009/10	
Total Operating Budget	Personnel Expenditure
65 660 000	61 830 988

4.4. Pension funds

The following table presents information on the pension funds in existence in Naledi Local Municipality:

PENSION FUND	NUMBER OF MEMBERS	COUNCIL CONTRIBUTION
Cape Joint Retirement Fund	168	18%
Cape Joint Pension Fund	2	18%
Municipal Gravity Fund	2	18%
Councillors Pension Fund	16	18%
SALA	54	18%
SAMWU Pension Fund	213	18%

4.5. Medical Aid

The following table provides information on the medical aid schemes in operation in the Municipality:

MEDICAL AID	NUMBER OF
SAMWUMED	112
BONITAS	62
KEY HEALTH	23
DISCOVERY	1
HOSMED	1
LA HEALTH	12

4.6. Performance highlights for Municipal Institutional Transformation and Organisational Development

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
CORPORATE ADMINISTRATION AND HUMAN RESOURCE							
HUMAN RESOURCES AND SKILLS DEVELOPEMNT UNIT							
Enhance Employees Skills	% of wage bill spent on training	1%	1%	<u>Target not achieved:</u> Various trainings (SAICA, road construction and horticulture) were conducted however the amount spent was not taken from wage bill	R30'000.00	Specific Budget was not allocated for training and it was not reasonable to deduct training costs from the officials.	To incorporate budget for training for the 2012/13 financial year.
	2011 / 2012 WSP developed	2010 /11 WSP in place	Jul-11	<u>Target Achieved:</u> The 2011/2012 Work Skills Plan was developed on the 01 July 2011	Operational	N/A	N/A
	Number of Learnerships implemented	2	5	<u>Target Exceeded</u> The following 7 learnership programmes were implemented: 1. Road construction; 2. Electricity reticulation; 3. Saica project; 4. Horticulture; 5. Road maintenance; 6. Waste water control process; 7. Local government accountant certificate.	R2'5m	The District Municipality informed the Local Municipality of more available funds for the Naledi Local Municipality to implement more learnership programmes	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Enhance Employees Skills	Occupational Health and Safety Policy developed	No policy in place	Jun-12	<u>Target Not Achieved:</u> The Occupational Health and Safety Policy not yet developed	Nil	The vacant HR Manager position and incapacity of the HR unit resulted in no development	The Manager HR position to be filled to enhance capacity and improve performance by the next financial year
	Employee Wellness Programme developed	No programme in place	Mar-12	<u>Target Not Achieved:</u> No Employee wellness programme in place. But two employees were assisted by placing them on a rehabilitation programme/treatment at SANPARK centre in Klerksdorp from the 12th of June 2012 to the 6th of July 2012 and the progress reports of the 2 employees were sent to the Municipal Manager for update	R30'000.00	The vacant HR Manager position and incapacity of the HR unit resulted in no development	The Manager HR position to be filled to enhance capacity and improve performance by the next financial year
	Electronic record management system established	Manual system in place	Jun-12	<u>Target Achieved:</u> The electronic record management system was established and fully operational by the end of June 2012	R527'000.00	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
LABOUR RELATIONS AND POLICY DEVELOPMENT UNIT							
Achieve Sound labour Climate	Retention Strategy and succession planning developed	No Strategy in place	Jan-12	<u>Target Not Achieved:</u> No Retention Strategy and Succession Planning Policy in place	Nil	The vacant HR Manager position and incapacity of the HR unit resulted in no development	The Manager HR position to be filled to enhance capacity and improve performance by the next financial year
	Qualifications verification and evaluation conducted	New	Jun-12	<u>Target not achieved:</u> Qualifications were submitted by employees for verification and evaluation; however the capturing of qualification were not done in order for the outsourced service provider to do the verification	R300.00	This was due to understaff in the HR unit	Appointment of interns in the HR unit in 2012/13 financial year to improve productivity in the unit.

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Achieve Sound labour Climate	Number of Organizational policy reviewed and adopted by Council	Some policies out-dated	25	<u>Target Partly Achieved:</u> 15 finance policies were adopted on the 27th of September 2011 per council resolution 225/2011 namely: 1. Supply Chain Management; 2. Debt and credit control policy; 3. Cash management and Investment policy; 4. Overtime policy; 5. Budget control policy; 6. Subsistence and travel policy; 7. Insurance management policy; 8. Asset management policy; 9. Indigent policy; 10. Tariff policy; 11. Property rates rates policy; 12. Vehicle allowance policy; 13. Cellphone allowance policy; 14. Laptop policy; and 15. Journal policy	R130'000	The vacant HR Manager position and incapacity of the HR unit resulted in policies not all reviewed and adopted	Other Policies to be adopted in October 2012

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Achieve Sound labour Climate	Employee Satisfaction Survey Conducted	New	May-12	<u>Target Not achieved:</u> No Employee Satisfaction Survey was conducted.	Nil	There was no official with the expertise of conducting the survey	To appoint a service provider with the expertise to conduct the survey in the 2012/13 Financial Year
	Number of LLF meetings held	No LLF meetings	4	<u>Target Partly Achieved:</u> 1 LLF meeting was held on the 30th of March 2012	Operational	Notices of meetings were done, but due to infights between unions the meetings were cancelled.	To ensure that in the future the meetings are held on the planned date by indicating the importance of the meetings.
Promote technology efficiency	IT Policy adopted by Council	No policy in place	Jun-12	<u>Target Partly Achieved:</u> The IT policy is in a draft phase	Operational	Awaiting inputs and reviews from other departments, hence the delay in adoption of the policy.	The Policy to be adopted with other Policies in September 2012
	Turnaround time on IT Queries	No IT support	48hrs	<u>Target Achieved:</u> IT queries addressed fully	Operational	N/A	N/A
Provide adequate property management and administration	Land Audit Conducted	New	Jun-12	<u>Target Not Achieved:</u> No land audit was conducted.	R1'5m	Due to vacant post of the Assistant Manager Property, which is the official responsible, the land audit could not be conducted.	To prioritise the filling of post by beginning of 2012/13 financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
	Complaint Management System Developed	New	Jan-12	<u>Target Not Achieved:</u> No complaint Management system was developed but an official was assigned to Rapid Response team	Operational	Software to be outsourced as there are no officials with the expertise to develop the system	To benchmark with other municipalities and advertise national to attract potential service providers
	Number of HR Policies Developed	Not all policies are in place	6	<u>Target Not Achieved:</u> No HR policies were developed	Nil	The vacant HR Manager position and incapacity of the HR unit resulted in no development	The Manager HR position to be filled to enhance capacity and improve performance by the next financial year
	Number of Critical Positions Filled	High vacancy rate	6 critical vacant positions	<u>Target Partly achieved</u> The following 2 vacant posts were filled: 1.Municipal Manager 2.Town Planner	R100'000.00	Vacant posts of the CFO, Executive Managers Community and Technical Services were advertised and potential candidates who were shortlisted declined the interviews and other candidates did not meet the requirements, therefore the vacant posts were re-advertised	All Critical Posts to be prioritised in the 2012/13 financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
	Placement of Staff Completed	Staff not placed	Jun-12	<u>Target Not achieved:</u> Placement of staff not done	Operational	No realistic organogram was in place, therefore placement of staff could not be completed	The process of revising and adopting the organogram to be expedited in order to place staff in the next financial year.
	Realistic Organogram Adopted by Council	Ideal structure in place	Jun-12	<u>Target Not achieved:</u> No realistic organogram was adopted by council	Operational	Structure reviewed but not adopted due to management changes and not financially viable	To prioritise the review and adoption of a realistic and financial viable organogram which will be aligned to the IDP by the next financial year

CHAPTER 5 MUNICIPAL FINANCIAL VIABILITY

5.1. Introduction

The financial viability and management of municipalities is central to building sustainable and effective municipalities.

5.2. Key Financial Highlights

5.2.1. Debtors Age Analysis by Income Classification:

Detail	91+ days	61 – 90 days	31 - 60 days	Current (0 - 30 days)	Total Balance	Provision for doubtful debts	Total debtors
Consumers	144 504 790	6 181 227	6 377 429	25 560 265	182 623 712	147 017 520	35 606 192
Government	8 205 572	672 417	606 968	1 662 715	11 147 672	9 386 498	1 761 174

5.2. Grants Received

The table below depicts the Grants received by Naledi Local Municipality during the financial year under review

GRANT ALLOCATION	2011/2012	JUL '11	AUG '11	SEPT '11	OCT '11	NOV '11	DEC '11	JAN '12	FEB '12	MAR '12	APR '12	MAY '12	JUNE '12
Equitable Share Allocation	23 591 000	12 133 000					4 178 000			7 280 000			
Municipal Systems Improvement Programme	790 000					790 000							
Financial Management Grant	1 500 000	1 500 000											
INEP Grant	-												
Municipal Infrastructure Grants	12 009 000		5 010 000				4 946 000			2 053 000			
Dr Ruth S Mompoti District Municipality	2 982 505	2 982 505											
TOTAL	40 872 505	16 615 505	5 010 000	-	-	790 000	9 124 000	-	-	9 333 000	-	-	-

5.3. Performance Highlights of Municipal Financial Viability

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
BUDGET AND TREASURY OFFICE							
REVENUE UNIT							
Enhance and maximize revenue	% collected for the budgeted revenue	75% average collection in 2010/2011	85%	<u>Target Partial Achieved:</u> R155,227,411.00 of R226,116,029.00 revenue was collected which indicated that 69% of the budgeted revenue was collected	Operational	The contract of the service provider was terminated because it was paid more than it was collecting and the municipality was running at a loss	Debt Collection to be intensified and prioritised by appointing a new services provider in the next financial year.
	New Prepaid electricity service implemented	New	Dec-11	<u>Target Achieved:</u> New prepared electricity service fully implemented; however the customers report the faulty meters continuously	Operational	N/A	N/A
	% decrease in outstanding debt	41 % increase in the debtors book since June 2010 [101mil/143 mil]	7%	<u>Target Not Achieved:</u> The debtors book increased from R143mil to R193mil	operational	The contract of the service provider was terminated because it was paid more than it was collecting and the municipality was running at a loss	Debt Collection to be intensified and prioritised by appointing a new services provider in the next financial year.

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Enhance and maximize revenue	% of Water meters read	75% of water meters read	90%	<u>Target Partly Achieved:</u> 8193 Water meters read	R187'710.00	Some of the meters are not accessible because of the closed gates or Dogs Some of the Households (RDP) section are not billed	All Meters to be audited for proper functionality and to take actions to ensure that all newly installed meters are accessible to meter readers at all times
	% of Electricity meters read	75% of electricity meters read	90%	<u>Target Partly Achieved:</u> 3782 Electricity meters read		For Inaccessible meters, readings are estimated	
	% of service accounts integrated with rates accounts	Revenue enhancement strategy Service accounts with rates accounts separated	90%	<u>Target Not Achieved:</u> The integration of service accounts not yet started	Operational	We identified complex in the process due to the water and electricity accounts not on the same name as the rates and taxes accounts	The unit has two interns to alleviate the crisis regarding lack of manpower and a dedicated official has been designated to handle the task The process of integration to start in January 2013
	% Data cleansed	New	85%	<u>Target Achieved:</u> 20,000 of 23,134 accounts cleaned which make it 85%	operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Enhance and maximize revenue	Number of municipal payment facilities added	3 payment facilities (Municipal offices, Stella, Naledi) and Oase motors	2	<u>Target Not achieved:</u> No additional municipal payment facilities were established	Nil	Delay in the process of identifying facilities for easy-pay such as the Post office SA, Pick n Pay and Shoprite	The additional facilities to be established urgently by the next financial year
	Timeous distribution of consumer accounts	New	On or before 25 th each month	<u>Target Achieved:</u> Consumer accounts were sent on or before 25th of each month.	R598'056.00	N/A	N/A
	Indigent Register Updated	Register in place	Jan-12	<u>Target Achieved:</u> Indigent register updated and in place	R105'000.00	The EPWP contract workers enhanced the processes of updating the Indigent Register	N/A
EXPENDITURE UNIT							
To maintain sound and sustainable financial management	Budget process plan	Schedule of key deadlines for 2010/2011	30 Sept 2011	<u>Target Achieved:</u> Budget process plan in place	operational	N/A	N/A
	Adjustment budget prepared	Approved budget for 2011/2012	On or before 25 th January 2012	<u>Target Achieved:</u> Adjustment budget prepared before 25th January 2012 and submitted to council for adoption on 31 January 2012 per resolution number 35/2012	operational	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
To maintain sound and sustainable financial management	Number of MFMA Section 71 Reports	Monthly section 71 budget report Separate	12	Target Achieved: All 12 monthly section 71 reports were prepared and submitted to the relevant Treasury	operational	N/A	N/A
	% over expenditure	Too much over-expenditure on salaries (tech & corp serv Dept)	Not more than 5 %	Target Achieved: Not more than 5% of the expenditure was incurred.	operational	N/A	N/A
	Turnaround time on payment of creditors	Creditors are not paid within 30 days period	Within 30 days of invoice receipt	Target Not achieved: The creditors in most cases are not paid within 30 days of invoice date	operational	Cash flow problems	To improve cash flow by intensifying debt collection
	Updated asset register and unbundling of infrastructure assets Separate	Asset register 2010/2011 not complete	Mar-12	Target Achieved: The asset register has been updated and infrastructure assets unbundled separately. Furthermore this process is continuous as and when assets are bought	R362'739.00	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Promote access and free basic support to communities	% of registered indigent receiving free Basic Services	±3500 indigent household receiving Free Basic Services	100%	Target Achieved: 100% of the indigents that were identified receive the free basic services	operational	N/A	N/A
Achieve clean audit	% of financial policies , strategies and procedures reviewed	100% finance policies reviewed	100%	Target Achieved: 100% (15) finance policies, strategies and procedures were reviewed and adopted as follows:	R130'000.00	N/A	N/A
				1. Supply Chain Management			
				2. Debt and credit control policy			
				3. Cash management and Investment policy			
				4. Overtime policy			
				5. Budget control policy			
				6. Subsistence and travel policy			
				7. Insurance management policy			
				8. Asset management policy			
				9. Indigent policy 10. Tariff policy			
				11. Property rates rates policy			
				12. Vehicle allowance policy			

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Achieve clean audit				13. Cellphone allowance policy 14. Laptop policy 15. Journal policy			
	% Reduction of audit exceptions in the AG's report applicable to finance department	Audit report 2010/2011	50%	<u>Target Not achieved:</u> 0% audit exceptions reduced	Nil	Consultants appointed and still in the process of addressing the issues raised by the AG	Consultants to provide report of their activities during the next financial year
	% Reduction of internal audit exceptions in report applicable to finance department	Audit report 2010/2011	90%	<u>Target Partly Achieved:</u> 40% of the internal audit exceptions were resolved		Consultants appointed and still in the process of addressing the issues raised by the internal audit	Consultants to provide report of their activities during the next financial year
	To maintain sound and sustainable financial management	100% reduction in salary related errors/omissions	9,8% errors on salaries	100% reduction	<u>Target Achieved:</u> Salary errors were due to overtime exceeding basic salary which caused over expenditure. This error has been 100% reduced and corrected through developing the overtime policy in 25 January 2012	N/A	N/A

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
SUPPLY CHAIN MANAGEMENT UNIT							
To maintain sound and sustainable financial management	Centralized supply chain management	Supply chain not fully centralized	Jan-12	<u>Target Achieved:</u> Supply chain fully centralised as all the Supply Chain Management employees are now working from the same station		N/A	Will continue to build SCM Unit to be fully established and functional by the next financial year
	Functional Municipal stores	No municipal stores	Jan-12	<u>Target Not achieved:</u> Municipal stores not yet functional	Nil	Systems and controls related to functional municipal stores are not in place	To establish systems and controls after the SCM is fully established and functional
	Turnaround time for processing purchase requisition received	Purchase requisition not process daily	The purchase requisition must be processed 48hrs after receipt	<u>Target Not Achieved:</u> The purchase requisitions are not yet processed as targeted	Nil	The New Financial system was just introduced and the officials are still struggling to get used to the system	To provide training to officials in order to speed up the process of using the system
	Turnaround time for processing a competitive bidders	Bid committees appointed as and when the need arises	30 days after closing date	<u>Target Partly Achieved:</u> The processing of competitive bidders have not been done within 30 days after the closing date	Nil	A new procurement system has just been established that is reviewed for all tender documents and contracts for 2011/2012 and approved to ensure compliance with MFMA.	To ensure that this process is used and the 30 days processing time is collaborated in it.



NALEDI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Annual Financial Statements

for

Naledi Local Municipality

for the year ended 30 June 2012

Province:

North West

Contact Information:	
Name of the Municipal Manager:	Mr. M.T Segapo
Name of Acting Chief Financial Officer:	Mr. D.M Thornhill
Contact telephone number:	053 928 2222
Contact e-mail address:	rovidsa@gmail.com
Name of contact at provincial treasury:Acting Chief Director	Geo Paul
Contact telephone number:	0183883039
Contact e-mail address:	kconradie@nwpg.gov.za
Name of relevant Auditor:	Lorraine van der Grijp
Contact telephone number:	0833575811
Contact e-mail address:	lvandergrijp@agsa.co.za
Name of contact at National Treasury:	Jan Hattingh
Contact telephone number:	123 155 111
Contact e-mail address:	jan.hatting@treasury.gov.za

Naledi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

S T MODISE

N G MATHIBA

C J GROEP

E K MOROKA

H L PRETORIUS

J A ADONIS

O K BAREKI

A N BARENG

G A COETZEE

B M KEGAKILWE

S B KGODUMO

K K KGAJANE

A LEKGETHO

D P MATOBO

M J NCHOCHOBA

E G RAMOROGADI

E P RENOSTER

N R THEKISHO

Mayor

Speaker

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Municipal Manager

Mr. M.T Segapo

Chief Financial Officer

Mr. D.M Thornhill (Acting)

Grading of Local Authority

Grade 3 (NW 392)

Auditors

The Auditor General of South Africa

Bankers

ABSA Bank Vryburg Branch

Registered Office and Physical address:

Municipal Offices

19A Civic Center

Market Street

Vryburg 8600

Postal address:

PO Box 35

Vryburg 8600

Telephone number:

053 928 2199

Fax number:

053 927 3482

E-mail address:

municipalmanager@naledi.local.gov.za

Naledi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Accounting Officers Responsibilities and Approval of Annual Financial Statements

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards or Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The external auditors will form an opinion on whether the financial statements are prepared, in all material aspects, in accordance with the reporting framework and will be given unrestricted access to all financial records and related data.

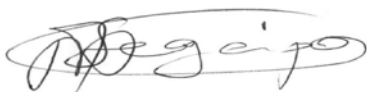
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which are prepared on the going concern basis as set out on pages **67 to 146** have been signed by myself on behalf of the Municipality on August 31, 2012.



M.T. Segapo
Accounting Officer

Naledi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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Naledi Local Municipality
Report of the Chief Financial Officer
for the year ended 30 June 2012

1. INTRODUCTION

These management financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2012

2. BASIS OF ACCOUNTING

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance as detailed in the Significant Accounting Policies section.

3. REVIEW OF OPERATING RESULTS

3.1 General

Details of the operating results per vote and classification of revenue and expenditure are included in Appendices D and E. The overall operating results for the period ended 30 June 2012 are as follows:

	Actual 2012 R	Actual 2011 R	Variance 2011/2012 %	Budget 2012 R	Variance Actual/Budget %
Revenue	212 949 524	182 780 546	-17%	233 545 239	-8.8%
Expenditure	-263 553 996	-193 927 179	-36%	-207 710 000	26.9%
Other	-913 971	551 865	266%	-	-100.0%
Nett surplus for the year	-51 518 443	-10 594 768	-79.4%	25 835 239	-141.0%

For explanations of significant variances refer **Appendix E**.

3.2 Revenue

The detail breakdown of operating revenue is as follows for the period ended 30 June 2012:

	Actual 2011 R	Actual 2012 R	Variance 2011/2012 %	Budget 2012 R	Variance Actual/Budget %
Property Rates	20 963 025	23 972 037	14.4%	25 486 520	6%
Property rates - penalties imposed and collection	-	1 604 743	100.0%	-	-100%
Service Charges	107 411 285	123 276 668	14.8%	126 214 246	2%
Rental of facilities and equipment	780 097	898 256	15.1%	512 655	-43%
Interest earned - External Investments	274 767	171 007	-37.8%	-	-100%
Interest earned - Outstanding Receivables	7 421 099	9 063 589	22.1%	7 110 061	-22%
Fines	315 897	296 799	-6.0%	167 394	-44%
Licences and Permits	1 437 593	1 304 524	-9.3%	1 072 760	-18%
Government grants and subsidies	41 697 978	50 109 122	20.2%	48 555 000	-3%
Other income	2 478 805	2 252 779	-9.1%	24 426 604	984%
Total revenue	182 780 546	212 949 524	16.5%	233 545 239	10%

Naledi Local Municipality
Report of the Chief Financial Officer
for the year ended 30 June 2012

For explanations of significant variances refer **Appendix E**.

3.3 Expenditure

	Actual 2011 R	Actual 2012 R	Variance 2011/2012 %	Budget 2012 R	Balance remaining on %
Employee related cost	68 700 257	73 764 489	7.371%	87 585 000	19%
Remuneration of councillors	4 384 399	4 327 562	-1.3%	4 518 000	4%
Bad debts	26 812 530	58 417 200	117.9%	10 000 000	-83%
Depreciation and amortisation	8 462 733	45 016 814	431.9%	9 800 000	-78%
Grants and subsidies paid	-	388 902	100.0%	-	-100%
Finance Costs	10 435 449	9 259 287	-11.3%	5 898 000	-36%
Bulk Purchases	45 785 826	41 952 251	-8.4%	41 300 000	-2%
Repairs and maintenance	4 110 139	5 877 635	43.0%	12 961 000	121%
Contracted services	9 488 484	6 603 325	-30.4%	-	-100%
General Expenses	15 747 362	17 946 530	14.0%	35 648 000	99%
Total expenditure	193 927 179	263 553 996	35.9%	207 710 000	-21.2%

For explanations of significant variances refer **Appendix E**.

3.4 Budget

The total operating budget performance is summarized as follows:

	Actual 2012 R	Budget 2012 R	Balance remaining on budget	
			R	%
Actual operating expenditure to date	263 553 996	207 710 000	-55 843 996	-27%

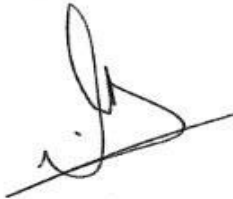
4. CONDITIONAL GRANTS

	Unspent Grant Opening Balance	Current year receipts	Conditions met	Unspent Grant Closing Balance
	R	R	R	R
MIG Grant	6 067 111	12 009 000	(18 668 408)	-592 297
INEP Grant	3 557 777	-	(2 847 701)	710 076
FMG Grant	658 265	1 500 000	(1 381 658)	776 607
MSIG Grant	-	790 000	(637 850)	152 150
Total	10 283 153	14 299 000	-23 535 617	1 046 536

Naledi Local Municipality
Report of the Chief Financial Officer
for the year ended 30 June 2012

5. CONCLUSION

I would like to extend my appreciation to the Mayor, Councillors, Municipal Manager, Management, all staff members and all other role players for their support, assistance and participation in getting the job done in the 2011/12 financial year to date.

A handwritten signature in black ink, appearing to be 'DM THORNHILL', written over a horizontal line.

DM THORNHILL
CHIEF FINANCIAL OFFICER
31 August 2012

Naledi Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	9 153 332	3 298 807
Trade and other receivables from exchange transactions	2	37 367 366	50 522 949
Other receivables from non-exchange transactions	3	5 398 903	-
Inventories	4	273 195	86 691
VAT receivable	5	17 130 760	7 150 762
Non-current assets			
Property, plant and equipment	6	949 793 236	971 103 116
Biological Assets	7	3 841 700	4 838 341
Total assets		1 022 958 493	1 037 000 666
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	118 938 257	81 725 425
Consumer Deposits	9	3 760 385	3 274 255
Current provisions	10	10 658 810	10 115 582
Current portion of unspent conditional grants and receipts	11	1 638 833	10 283 153
Current portion of borrowings	12	69 615 785	61 752 584
Current portion of finance lease liability	13	-	516 521
Non-current liabilities			
Non-current provisions	14	8 205 593	7 673 873
Non-current borrowings	12	-	-
Total liabilities		212 817 663	175 341 392
Net assets		810 140 831	861 659 275
NET ASSETS			
Accumulated surplus / (deficit)	0	810 140 831	861 659 275
Total net assets		810 140 831	861 659 275

Naledi Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	2011 R
Revenue			
Property Rates	15	23 972 037	20 963 025
Property rates - penalties imposed and collection charges	15	1 604 743	-
Service Charges	16	123 276 668	107 411 285
Rental of facilities and equipment	17	898 256	780 097
Interest earned - External Investments	18	171 007	274 767
Interest earned - Outstanding Receivables	18	9 063 589	7 421 099
Fines		296 799	315 897
Licences and Permits		1 304 524	1 437 593
Government grants and subsidies	19	50 109 122	41 697 978
Other income	20	2 252 779	2 478 805
Total revenue		212 949 524	182 780 546
Expenses			
Employee related cost	21	73 764 489	68 700 257
Remuneration of councillors	22	4 327 562	4 384 399
Bad debts	23	58 417 200	26 812 530
Depreciation and amortisation	25	45 016 814	8 462 733
Grants and subsidies paid	24	388 902	-
Finance Costs	26	9 259 287	10 435 449
Bulk Purchases	27	41 952 251	45 785 826
Repairs and maintenance		5 877 635	4 110 139
Contracted services	28	6 603 325	9 488 484
General Expenses	29	17 946 530	15 747 362
Total expenses		263 553 996	193 927 179
Gain / (loss) on sale of assets	30	(5 080)	-
Gain/ (loss) on biological assets		(2 006 556)	
Gain / (loss) on fair value adjustment - Biological Assets		1 097 665	551 865
Surplus / (deficit) for the period		(51 518 443)	(10 594 768)

Naledi Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

	Note	Total Net Assets
Balance at 30 June 2010		60 101 038
Change in Accounting Policy	0	-
Correction of Error	33	805 553 758
Restated Balance 30 June 2010		865 654 796
Offsetting of depreciation		-
Receipts		12 294 980
Payments		(1 720 256)
Transfers		(765 730)
Prior year adjustment		(3 209 746)
Surplus / (deficit) for the period		(10 594 768)
Balance at 30 June 2011		861 659 277
Surplus / (deficit) for the period		(51 518 443)
Balance at 30 June 2012		810 140 834

Naledi Local Municipality
CASH FLOW STATEMENT
as at 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		154 170 535	146 174 415
Sales of goods and services		151 056 228	130 907 897
Grants		50 109 122	41 697 978
Working Capital Movements		(65 773 853)	(36 606 131)
Interest received		9 234 596	7 695 866
Other receipts		2 549 578	2 478 805
Non-cash items		6 994 865	-
Payments		132 140 287	142 204 558
Employee costs		78 092 051	73 084 656
Working Capital Movements		(29 054 642)	11 960 321
Suppliers		72 379 741	75 131 811
Non-cash items		1 074 949	(9 508 088)
Prior year retained earnings adjustment		-	(18 899 591)
Interest paid		9 259 287	10 435 449
Other payments		388 902	-
Net cash flows from operating activities	31	22 030 248	3 969 857
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(23 330 389)	-
Proceeds from sale of biological assets		(192 014)	-
Net cash flows from investing activities		(23 522 403)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		7 863 202	(2 820 287)
Repayment of finance lease liability		(516 521)	173 726
Net cash flows from financing activities		7 346 680	(2 646 561)
Net increase / (decrease) in net cash and cash equivalents		5 854 525	1 323 296
Net cash and cash equivalents at beginning of period		3 298 807	1 975 512
Net cash and cash equivalents at end of period	32	9 153 332	3 298 808

Naledi Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) including any exemptions and directives issued by the accounting standards board (ASB).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<u>GRAP Standard</u>	<u>Effective date as determined by Minister of Finance</u>	<u>Possible Impact on the financial statements on initial application</u>
GRAP 18 - Segment Reporting	Unknown	Disclosure and presentation of specific and detailed information about the major activities (service and geographical) undertaken by the municipality, along with the resources allocated to these activities
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family,
GRAP 25 - Employee Benefits	Unknown	Full disclosure on employee short term benefits (undiscounted), post retirement benefits (discounted) including actuarial assumptions
GRAP 105 - Transfer of functions between entities under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities within the same sphere of government.
GRAP 106 - Transfer of functions between entities not under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities not within the same sphere of government.
GRAP 107 - Mergers	Unknown	Full disclosure of the nature and effect of the two entities that are now combined through a merger.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Roads and Lights	10-40
Water Pipelines	25-50
Water Pumps, Purification and Reservoirs	30-55
Sewerage	25-30
Landfill Site Perimeter Protection and structures	10-55

Community

Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30

Other

Buildings	30
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Office equipment	7
Furniture and fittings	7
Emergency equipment	5
Computer equipment	5
Machinery and Equipment	
Official Vehicles	5-10
Other assets	4-10

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Standard of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.5 TRANSITIONAL PROVISIONS - DIRECTIVE 4 (GRAP 17)

The municipality took advantage of the three-year transitional period as prescribed in Directive 4 issued by the Accounting Standards Board (ASB). The implication of this provision was that the municipality recognised and measured their assets as indicated in this accounting policy apart from infrastructure and community assets. This category of assets were only identified and included at provisional amounts in previous years. These provisions expired at 30 June 2011. All infrastructure and community assets were valued and are now included at correct values and are furthermore backlog depreciation is now also recognised.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

> Intangible assets are initially recognised at cost.

> Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

> Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5
-------------------	---

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables, accruals, borrowings and consumer deposits. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 EXPENDITURE

Expenditure is recognised once there is a decrease in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 RETIREMENT BENEFITS

Defined Contribution Plan

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

18 HERITAGE ASSETS

18.1 INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

18.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses

18.3 DEPRECIATION AND IMPAIRMENT

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

18.4 DERECOGNITION

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

19 CAPITAL COMMITMENTS

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

20 VALUE ADDED TAXATION (VAT)

The municipality accounts for value added taxation on the accrual basis

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	413	413
Cash at bank	5 974 224	(164 220)
Short-term Investments	3 178 695	3 462 614
	<u>9 153 332</u>	<u>3 298 807</u>

Cash at bank

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account) - ABSA Acc nr: 4070282707

Cash book balance at beginning of year	(964 871)	(3 334 741)
Cash book balance at end of year	<u>2 419 899</u>	<u>(964 871)</u>
Bank statement balance at beginning of year	1 423 051	3 086 486
Bank statement balance at end of year	<u>1 188 017</u>	<u>1 423 051</u>

Current Account (Other Account): FNB - Acc nr: 54160030382

Cash book balance at beginning of year	800 651	-
Cash book balance at end of year	<u>3 554 325</u>	<u>800 651</u>
Bank statement balance at beginning of year	800 651	4 196 139
Bank statement balance at end of year	<u>3 554 325</u>	<u>800 651</u>

Savings Account: ABSA Bank - Acc nr: 7014368714

Interest is earned at 5.02% per annum

Cash book balance at beginning of year	35 206	35 206
Cash book balance at end of year	<u>35 277</u>	<u>35 206</u>
Bank statement balance at beginning of year	35 206	35 206
Bank statement balance at end of year	<u>35 277</u>	<u>35 206</u>

Savings Account: ABSA Bank - Acc nr: 9105545491

Interest is earned at 5.02% per annum

Cash book balance at beginning of year	185 092	185 092
Cash book balance at end of year	<u>183 952</u>	<u>185 092</u>
Bank statement balance at beginning of year	185 092	185 092
Bank statement balance at end of year	<u>183 952</u>	<u>185 092</u>

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Current Account: ABSA Bank - Acc nr: 1012110363			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		693	693
Cash book balance at end of year		-	693
Bank statement balance at beginning of year		693	693
Bank statement balance at end of year		-	693
32-day Notice Deposit: ABSA - Acc nr: 5600464746			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		30 240	30 240
Cash book balance at end of year		30 240	30 240
Bank statement balance at beginning of year		30 240	30 240
Bank statement balance at end of year		30 240	30 240
32-day Notice Deposit: ABSA - Acc nr: 3064344470			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		143 968	144 347
Cash book balance at end of year		148 656	143 968
Bank statement balance at beginning of year		143 968	144 347
Bank statement balance at end of year		148 656	143 968
32-day Notice Deposit: ABSA - Acc nr: 9054322851			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		42 566	42 566
Cash book balance at end of year		43 733	42 566
Bank statement balance at beginning of year		42 566	42 566
Bank statement balance at end of year		43 733	42 566
Call Account: FNB - Acc nr: 62046282505			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		72 257	72 292
Cash book balance at end of year		73 130	72 257
Bank statement balance at beginning of year		72 220	72 292
Bank statement balance at end of year		73 130	72 220

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Call Account: FNB - Acc nr: 62028853887			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		116 979	116 979
Cash book balance at end of year		-	116 979
Bank statement balance at beginning of year		116 115	116 979
Bank statement balance at end of year		119 683	116 115
Call Account: FNB - Acc nr: 62012765858			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		35 917	35 917
Cash book balance at end of year		-	35 917
Bank statement balance at beginning of year		35 917	35 917
Bank statement balance at end of year		-	35 917
Call Account: Nedbank - Acc nr: 29690071-9996			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		32 414	32 414
Cash book balance at end of year		-	32 414
Bank statement balance at beginning of year		32 414	32 414
Bank statement balance at end of year		-	32 414
Call Account: Nedbank - Acc nr: 29690071-9997			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		2 695 508	2 695 508
Cash book balance at end of year		-	2 695 508
Bank statement balance at beginning of year		2 695 508	2 695 508
Bank statement balance at end of year		-	2 695 508
Call Account: Nedbank - Acc nr: 29690071-9998			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		16 270	-
Cash book balance at end of year		-	16 270
Bank statement balance at beginning of year		16 270	-
Bank statement balance at end of year		-	16 270

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Nedbank- 1147037442			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		15 343	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		-	-
Nedbank- 29690071-9995			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		49 452	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		-	-
Current account: ABSA - Acc nr: 4074567125			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		(7)	-
Cash book balance at end of year		1 017 506	(7)
Bank statement balance at beginning of year		(7)	-
Bank statement balance at end of year		1 017 506	(7)
Current account: ABSA - Acc nr: 4062413954			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		2 835	-
Bank statement balance at beginning of year		5 523	-
Bank statement balance at end of year		2 835	5 523
Fixed Deposit: ABSA - Acc nr: 2050557964			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		15 000	15 000
Cash book balance at end of year		15 000	15 000
Bank statement balance at beginning of year		15 000	15 000
Bank statement balance at end of year		15 000	15 000
Fixed Deposit: ABSA - Acc nr: 2030770297			
<i>Interest is earned at 5.02% per annum</i>			

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Cash book balance at beginning of year		6 500	6 500
Cash book balance at end of year		6 500	6 500
Bank statement balance at beginning of year		6 500	6 500
Bank statement balance at end of year		6 500	6 500
Fixed Deposit: ABSA - Acc nr: 2033233628			
Interest is earned at 5.02% per annum			
Cash book balance at beginning of year		8 104	8 104
Cash book balance at end of year		8 606	8 104
Bank statement balance at beginning of year		8 104	8 104
Bank statement balance at end of year		8 606	8 104
Current Account: ABSA - Acc nr: 4074566933			
Interest is earned at 5.02% per annum			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		323 030	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		323 030	-
Savings Account: ABSA - Acc nr: 9272613997			
Interest is earned at 5.02% per annum			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		1 199 535	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		1 199 535	-
Fixed Deposit: FNB - Acc nr: 70416038010			
Interest is earned at 5.02% per annum			
Cash book balance at beginning of year		8 000	8 000
Cash book balance at end of year		8 000	8 000
Bank statement balance at beginning of year		8 000	-
Bank statement balance at end of year		8 000	8 000
Fixed Deposit: FNB - Acc nr: 70416052060			
Interest is earned at 5.02% per annum			
Cash book balance at beginning of year		7 900	7 900
Cash book balance at end of year		7 900	7 900
Bank statement balance at beginning of year		7 900	

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Bank statement balance at end of year		7 900	7 900
Fixed Deposit: FNB - Acc nr: 70416054248			
<i>Interest is earned at 5.02% per annum</i>			
Cash book balance at beginning of year		10 000	10 000
Cash book balance at end of year		10 000	10 000
Bank statement balance at beginning of year		10 000	-
Bank statement balance at end of year		10 000	10 000
Cash on hand		413	413
Total cash and cash equivalents		9 153 332	3 298 807

No financial assets have been pledged as collateral for liabilities

TRADE AND OTHER RECEIVABLES FROM EXCHANGE
2 TRANSACTIONS

Gross **Provision for**
Balances **Doubtful Debts** **Net Balance**

Service receivables

as at 30 June 2012

Rates and Taxes	32 134 709	(27 527 904)	4 606 805
Electricity	43 439 496	(28 187 584)	15 251 911
Water	50 147 059	(41 289 810)	8 857 249
Sewerage and Sanitation	28 675 751	(24 621 918)	4 053 832
Refuse	29 363 583	(25 388 543)	3 975 040
Other Charges	10 010 786	(9 388 258)	622 528
Total	193 771 384	(156 404 018)	37 367 366

as at 30 June 2011

Rates and Taxes	23 195 862	(15 323 148)	7 872 714
Electricity	33 488 714	(15 363 181)	18 125 533
Water	30 048 019	(18 759 448)	11 288 571
Sewerage and Sanitation	20 831 906	(14 066 967)	6 764 939
Refuse	20 299 294	(14 402 189)	5 897 105
Other Charges	15 699 141	(15 125 054)	574 087
Total	143 562 936	(93 039 987)	50 522 949

as at 30 June 2012

Rates and Taxes

Current (0 – 30 days)	3 608 112	(2 146 280)	1 461 832
31 - 60 Days	1 290 626	(930 544)	360 082
61 - 90 Days	1 212 506	(931 582)	280 924
+ 91 Days	26 023 465	(23 519 497)	2 503 967
Total	32 134 709	(27 527 904)	4 606 805

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
as at 30 June 2012			
<u>Electricity</u>			
Current (0 – 30 days)	12 416 529	(3 789 119)	8 627 410
31 - 60 Days	2 384 905	(992 400)	1 392 505
61 - 90 Days	2 698 262	(1 749 051)	949 211
+ 91 Days	25 939 799	(21 657 014)	4 282 785
Total	43 439 496	(28 187 584)	15 251 911
as at 30 June 2012			
<u>Water</u>			
Current (0 – 30 days)	6 190 995	(1 706 245)	4 484 750
31 - 60 Days	1 856 305	(359 533)	1 496 772
61 - 90 Days	1 568 010	(1 343 799)	224 210
+ 91 Days	40 531 750	(37 880 233)	2 651 517
Total	50 147 059	(41 289 810)	8 857 249
as at 30 June 2012			
<u>Sewerage and Sanitation</u>			
Current (0 – 30 days)	1 852 641	(921 770)	930 872
31 - 60 Days	699 058	(454 423)	244 635
61 - 90 Days	660 820	(452 266)	208 554
+ 91 Days	25 463 230	(22 793 459)	2 669 771
Total	28 675 751	(24 621 918)	4 053 832
as at 30 June 2012			
<u>Refuse</u>			
Current (0 – 30 days)	1 807 342	(909 860)	897 482
31 - 60 Days	679 420	(451 821)	227 599
61 - 90 Days	648 023	(450 133)	197 890
+ 91 Days	26 228 798	(23 576 729)	2 652 069
Total	29 363 583	(25 388 543)	3 975 040
as at 30 June 2012			
<u>Other Charges</u>			
Current (0 – 30 days)	1 346 539	(1 231 617)	114 922
31 - 60 Days	74 083	(52 703)	21 380
61 - 90 Days	66 022	(48 543)	17 479
+ 91 Days	8 524 142	(8 055 394)	468 748
Total	10 010 786	(9 388 258)	622 528
<u>Summary of Debtors by Customer Classification</u>			
<u>Consumers</u>			
Current (0 – 30 days)		25 560 265	
31 - 60 Days		6 377 429	
61 - 90 Days		6 181 227	143 562 936
+ 91 Days		144 504 790	
Sub-total		182 623 712	143 562 936
Less: Provision for doubtful debts		(147 017 520)	(93 039 987)
Total debtors by customer classification		35 606 192	50 522 949

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
<u>Government Departments</u>			
Current (0 – 30 days)		1 662 715	
31 - 60 Days		606 968	
61 - 90 Days		672 417	
+ 91 Days		8 205 572	
Sub-total		11 147 672	
Less: Provision for doubtful debts		(9 386 498)	
Total debtors by customer classification		1 761 174	
<u>Reconciliation of the doubtful debt provision</u>			
Balance at beginning of the year		(93 039 987)	(66 227 457)
Contributions to provision		(63 364 031)	(26 812 530)
Doubtful debts written off against provision		-	-
Reversal of provision		-	-
Balance at end of year		(156 404 018)	(93 039 987)
OTHER RECEIVABLES FROM NON-EXCHANGE			
3 TRANSACTIONS			
Other debtors		5 398 010	-
Prepayments		893	-
Total Other Debtors		5 398 903	-
4 INVENTORIES			
Opening balance of inventories:		86 691	306 360
Consumable stores - at cost		-	-
Water		86 691	100 206
Game Animals			206 154
Additions:		4 679 061	-
Consumable stores		199 418	-
Water		4 479 643	-
Game Animals		-	-
Issued (expensed):		-4 492 556	-219 669
Consumable stores		-	-
Water		-4 492 556	-13 515
Game Animals		-	-206 154
Closing balance of inventories:		273 195	86 691
Consumable stores		199 418	-
Water		73 777	86 691
Game Animals		-	-

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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5 VAT RECEIVABLE

VAT receivable		17 130 760	7 150 762
Total VAT Receivable		17 130 760	7 150 762

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

as at 1 July 2011

Cost/Revaluation

Accumulated depreciation and impairment losses

Acquisitions

Capital under Construction

Other Movements

Depreciation

Carrying value of disposals

Cost/Revaluation

Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss

Transfers

as at 30 June 2012

Cost/Revaluation

Accumulated depreciation and impairment losses

	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
as at 1 July 2011	136 078 074	41 898 681	720 777 965	45 512 247	719 286	26 116 863	971 103 116
Cost/Revaluation	137 126 497	48 547 382	786 444 698	52 874 109	719 286	30 921 342	1 056 633 313
Accumulated depreciation and impairment losses	(1 048 422)	(6 648 701)	(65 666 733)	(7 361 862)	-	(4 804 479)	(85 530 197)
Acquisitions	-	-	-	5 090 963	-	2 221 980	7 312 943
Capital under Construction	319 498	-	15 697 949	-	-	-	16 017 447
Other Movements	381 625	-	-	-	-	-	381 625
Depreciation	(707 202)	(3 611 391)	(32 979 300)	(4 133 987)	-	(3 584 935)	(45 016 814)
Carrying value of disposals	-	-	-	-	-	(5 080)	(5 080)
Cost/Revaluation	-	-	-	-	-	(5 263)	(5 263)
Accumulated depreciation and impairment losses	-	-	-	-	-	183	183
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
as at 30 June 2012	136 071 996	38 287 290	703 496 614	46 469 222	719 286	24 748 828	949 793 236
Cost/Revaluation	137 827 620	48 547 382	802 142 646	57 965 072	719 286	33 138 059	1 080 340 064
Accumulated depreciation and impairment losses	(1 755 624)	(10 260 092)	(98 646 032)	(11 495 849)	-	(8 389 231)	(130 546 828)

Refer to Appendix B for more detail on property, plant and equipment

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6.2 Reconciliation of Carrying Value

as at 1 July 2010

Cost/Revaluation

Accumulated depreciation and impairment losses

Acquisitions

Capital under Construction

Other Movements

Depreciation

Carrying value of disposals

Cost/Revaluation

Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2011

Cost/Revaluation

Accumulated depreciation and impairment losses

Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
133 061 830	45 223 031	752 419 736	49 193 177	719 286	28 959 676	1 009 576 735
133 565 675	48 547 382	785 253 102	52 874 109	719 286	30 921 342	1 051 880 897
(503 846)	(3 324 351)	(32 833 366)	(3 680 932)	-	(1 961 666)	(42 304 161)
	-	-	-	-	-	-
3 037 521	-	1 191 595	-	-	-	4 229 116
523 301	-	-	-	-	-	523 301
(544 576)	(3 324 350)	(32 833 366)	(3 680 930)	-	(2 842 813)	(43 226 036)
					-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
136 078 074	41 898 681	720 777 965	45 512 247	719 286	26 116 863	971 103 116
137 126 497	48 547 382	786 444 698	52 874 109	719 286	30 921 342	1 056 633 313
(1 048 422)	(6 648 701)	(65 666 733)	(7 361 862)	-	(4 804 479)	(85 530 197)

Refer to Appendix B for more detail on property, plant and equipment

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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7 BIOLOGICAL ASSETS

**7.1 Reconciliation of Carrying Value
as at 1 July 2010**

WILDLIFE

Cost/Valuation	4 080 322
Acquisitions	779 640
Decrease due to sales	-227 775
Gains/losses from changes in fair value	-
Other Movements	206 154

as at 30 June 2011	4 838 341
---------------------------	------------------

as at 1 July 2011

Cost/Valuation	4 838 341
Acquisitions	-
Decrease due to sales	-104 264
Gains/losses from changes in fair value	1 097 665
Other Movements	-1 990 042

as at 30 June 2012	3 841 700
---------------------------	------------------

7.2 Non-financial information

Quantities of each biological asset

Blesbucks	80	103
Gemsbucks	53	64
Red Hartebeests	95	122
Blue Wilderbeests	67	73
Impala	83	161
Buffalos	7	9
Eland	50	51
Waterbuck	10	22
Rhinocerus	2	10
Springbucks	71	81
Ostrich	-	11
Duiker	-	17
	518	724

7.3 Methods and assumptions used in determining the fair value

The Fair value assesement was determined by SA Auctioneers taking into account the relevant market values of the respective breeding / family groups.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
TRADE AND OTHER PAYABLES FROM EXCHANGE			
8 TRANSACTIONS			
Trade creditors		84 661 540	59 380 565
Payments received in advance		1 165 900	-
Retentions		826 731	59 392
Staff Leave Accrual		5 707 972	4 802 473
Bonus Accrual		2 296 405	2 250 759
Other creditors		24 279 710	15 232 235
Total creditors		118 938 257	81 725 425
The fair value of trade and other payables approximates their carrying amounts.			
The movement for the 2011/12 year on the staff leave and bonus accrual are reconciled as follows:			
		Staff Leave Accrual	Bonus Accrual
Opening Balance		4 802 473	2 250 759
Expenditure Incurred		-	(3 725 077)
Contributions		905 498	3 770 722
Closing Balance		5 707 972	2 296 405
9 CONSUMER DEPOSITS			
Water and Electricity		3 760 385	3 274 255
Total		3 760 385	3 274 255
10 CURRENT PROVISIONS			
Current portion of long-service awards		491 928	330 325
Rehabilitation of landfill sites		10 166 882	9 785 257
Total Provisions		10 658 810	10 115 582
Refer to note 14 for Non-Current Portion and Key Assumptions on Long-Service Awards			
	14		
11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of			
11.1 Government			
MIG Grant	19.2	-	6 067 111
Dr Ruth S Mompoti Distric Municipality	19.3	-	-
INEP Grant	19.4	710 076	3 557 777
FMG Grant	19.5	776 607	658 265
Sports, Arts and Culture Grant	19.6	-	-
MSIG Grant	19.7	152 150	-
Housing development Grant	19.8	-	-
Total Unspent Conditional Grants and Receipts		1 638 833	10 283 153

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		1 638 833	10 283 153

See Note 19 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

12 BORROWINGS

DBSA Loans	-	-
<i>Add: Current portion transferred to current liabilities</i>	69 615 785	61 752 584
Total Borrowings	69 615 785	61 752 584

Refer to Appendix A for more detail on borrowings.

13 FINANCE LEASE LIABILITY

Minimum lease payment		
Within one year	-	516 522
Within two to five years	-	-
	-	516 522
Less: Future Finance Charges	-	-
Present value of minimum lease payments	-	516 522

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Present value of minimum lease payments due			
Within one year		-	516 522
Within two to five years		-	-
		-	516 522
Non-current liabilities		-	-
Current Liabilities		-	516 521
		-	516 521

It is municipalities policy to lease certain motor vehicles and equipment under finance leases

The average lease term was 5 years and the average effective borrowing rate was 15% in 2011

Interest rates are linked to prime at the contract date. All leases have fixed repayments and not arrangements have been entered into for contingent rent. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets

14 NON-CURRENT PROVISIONS

Long-service awards	8 205 593	7 673 873
Rehabilitation of Landfill Sites	-	-
Total	8 205 593	7 673 873

The movement in provisions are reconciled as follows:

LONG-SERVICE AWARDS

Opening Balance	8 004 197	7 366 142
Contributions to provision	1 289 333	1 193 990
Expenditure incurred	(596 010)	(555 935)
Closing Balance	8 697 521	8 004 197

<i>Less: Current portion</i>	10	(491 928)	(330 325)
<i>Net Balance Non-current portion</i>		8 205 593	7 673 873

Key Assumptions

Provision for Long-Service Award

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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IAS19 stipulates that the choice of this rate should be derived from highquality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.5%per annum has been used. This rate does not reflect any adjustment for taxation.

This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.5% and 2.5% above CPI inflation. We assessed the general salary increases over the last 5 years and thus a general salary inflation rate of 8.662% per annum

REHABILITATION OF LANDFILL SITES

Opening Balance		9 785 257	9 261 956
Contributions to provision		381 625	523 301
Expenditure incurred			
Closing Balance		10 166 882	9 785 257
<i>Less: Current portion</i>	10	<i>(10 166 882)</i>	<i>(9 785 257)</i>
<i>Net Balance Non-current portion</i>		<i>(0)</i>	<i>(0)</i>

Key Assumptions

Rehabilitation of landfill site

The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements. The discount rate used to calculate the obligation at year-end was 5.96%

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

Environmental impact process for establishment of solid waste disposal site. Supply and operation of machinery to transfer refuse. Sloping and spreading of slopes and ground work, including manual hand labour. An estimated amount was calculated and an average discount rate of 5.96% as per SASTATS was used to calculate the obligation at year-end.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
15 PROPERTY RATES			
Actual			
Residential		7 773 776	20 963 025
Commercial		12 574 677	-
State		3 623 585	-
Total property rates		23 972 037	20 963 025
Property rates - penalties imposed and collection charges		1 604 743	-
Total		25 576 780	20 963 025
Valuations			
Residential		1 565 215 881	1 565 215 881
<p><i>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. A general rate of 0.67% (2011/12) is applied to property valuations to determine annual assessment rates.</i></p>			
16 SERVICE CHARGES			
Sale of electricity		72 006 712	59 244 525
Sale of water		25 408 065	22 116 324
Refuse removal		12 787 876	13 601 049
Sewerage and sanitation charges		13 074 015	12 449 387
Total Service Charges		123 276 668	107 411 285
17 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		877 899	780 097
Rental of equipment		20 357	-
Total rentals		898 256	780 097
18 INTEREST EARNED			
External Investments		171 007	274 767
Outstanding Receivables		9 063 589	7 421 099
Total interest		9 234 596	7 695 866
19 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable Share	19.1	23 591 000	26 404 640
MIG Grant	19.2	18 668 408	4 856 790
Dr Ruth S Mompoti Distric Municipality	19.3	2 982 505	4 801 640
INEP Grant	19.4	2 847 701	2 108 367
FMG Grant	19.5	1 381 658	596 285
Sports, Arts and Culture Grant	19.6	-	460 000
MSIG Grant	19.7	637 850	750 000
Housing development Grant	19.8	-	1 720 256
Total Government Grant and Subsidies		50 109 122	41 697 978

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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19.1 Equitable Share

This grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

23 591 000	26 404 640

19.2 MIG Grant

Balance unspent at beginning of year

6 067 111

1 082 906

Current year receipts

12 009 000

9 984 000

Conditions met - transferred to revenue

(18 668 408)

(4 999 795)

Conditions still to be met - remain liabilities (see note 11)

(592 297)

6 067 111

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities

19.3 Dr Ruth S Mompoti Distric Municipality

Balance unspent at beginning of year

-

Current year receipts

2 982 505

4 801 640

Conditions met - transferred to revenue

(2 982 505)

(4 801 640)

Conditions still to be met - remain liabilities (see note 11)

-

-

The district municipality assist the local municipality with this grant when it is in need

19.4 INEP Grant

Balance unspent at beginning of year

3 557 777

5 523 138

Current year receipts

-

-

Conditions met - transferred to revenue

(2 847 701)

(1 965 361)

Conditions still to be met - remain liabilities (see note 11)

710 076

3 557 777

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure

19.5 FMG Grant

Balance unspent at beginning of year

658 265

4 550

Current year receipts

1 500 000

1 250 000

Conditions met - transferred to revenue

(1 381 658)

(596 285)

Conditions still to be met - remain liabilities (see note 11)

776 607

658 265

This grant is used to fund the financial operations of the municipality

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
19.6 Sports, Arts and Culture Grant			
Balance unspent at beginning of year		-	-
Current year receipts		-	460 000
Conditions met - transferred to revenue		-	(460 000)
Conditions still to be met - remain liabilities (see note 11)		-	-
<i>To facilitate mass participation within communities and schools</i>			
19.7 MSIG Grant			
Balance unspent at beginning of year		-	-
Current year receipts		790 000	750 000
Conditions met - transferred to revenue		(637 850)	(750 000)
Conditions still to be met - remain liabilities (see note 11)		152 150	-
<i>This grant is used to fund training of municipal staff</i>			
19.8 Housing development Grant			
Balance unspent at beginning of year		-	1 720 256
Current year receipts		-	-
Conditions met - transferred to revenue		-	(1 720 256)
Conditions still to be met - remain liabilities (see note 11)		-	-
<i>This grant is used to build the low cost houses (RDP)</i>			
20 OTHER INCOME			
Commission on sales		356 261	-
Cemetery Fees		264 882	-
Roadworthy Certificates		351 542	-
Building Plan Fees		643 055	-
Other Income		637 039	2 478 805
		2 252 779	2 478 805
21 EMPLOYEE RELATED COST			
Employee related costs - Salaries and Wages		43 744 955	40 774 813
Performance and other bonuses		3 971 065	3 489 824
Travel, Motor vehicle, Accommodation, Subsistence and Other allowances		4 583 547	4 955 834
Employee related costs - Contributions to UIF, Pension and Medical Aid		12 572 398	12 914 489
Housing benefits and allowances		267 111	302 544
Long service awards		1 289 333	555 935
Overtime payments		5 359 602	5 706 818
Other employee related cost		1 976 477	-
Total Employee Related Costs		73 764 489	68 700 257

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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Included in above summary of Employee Related Costs is the following:

21.1 REMUNERATION OF THE MUNICIPAL MANAGER

Annual Remuneration	624 605	689 616
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	385 420	335 775
Contributions to UIF, pension and medical aid	38 283	9 971
Total	1 048 307	1 035 362

21.2 REMUNERATION OF THE CHIEF FINANCE OFFICER

Annual Remuneration	273 230	411 571
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	319 996	277 432
Contributions to UIF, pension and medical aid	160 532	217 718
Total	753 758	906 721

21.3 REMUNERATION OF TECHNICAL SERVICES DIRECTOR

Annual Remuneration	270 897	602 550
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	109 052	132 263
Contributions to UIF, pension and medical aid	4 252	8 303
Total	384 202	743 116

21.4 REMUNERATION OF CORPORATE SERVICES DIRECTOR

Annual Remuneration	505 474	437 075
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	206 095	213 603
Contributions to UIF, pension and medical aid	221 619	235 745
Other employee related costs	-	-
Total	933 187	886 423

21.5 REMUNERATION OF SUPPORT SERVICES DIRECTOR

Annual Remuneration	389 738	325 030
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	272 739	260 813
Contributions to UIF, pension and medical aid	196 938	182 932
Total	859 416	768 775

21.6 REMUNERATION OF COMMUNITY SERVICES DIRECTOR

Annual Remuneration	551 221	398 803
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	213 952	236 552
Contributions to UIF, pension and medical aid	142 857	154 132
Total	908 031	789 487

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
22 REMUNERATION OF COUNCILLORS			
Mayor		631 727	610 803
Speaker		281 268	211 725
Executive Committee Members		837 158	786 456
Councillors		2 530 950	2 775 415
Councillors' pension and medical aid contributions		46 459	-
Total Councillors' Remuneration		4 327 562	4 384 399
In-kind Benefits			
<p><i>The Executive Mayor, Speaker and Mayoral Committee Members are full-time employees. Each is provided with an office and secretarial support at the cost of the Council.</i></p> <p><i>The Executive Mayor has use of the Council owned vehicle with one driver for official duties.</i></p>			
23 BAD DEBTS			
<p><i>The movement in bad debts are set out below:</i></p>			
Increase in provision of receivables		59 290 495	26 812 530
Service charges on Indigent Debtors written-off		2 040 406	-
		58 417 200	26 812 530
24 GRANTS AND SUBSIDIES PAID			
Community bursaries		41 018	-
Refuse bags		333 849	-
Refuse Bins		14 035	-
Total		388 902	-
25 DEPRECIATION AND AMORTISATION			
Property, plant and equipment		45 016 814	8 462 733
Total Depreciation and Amortisation		45 016 814	8 462 733
26 FINANCE COSTS			
Borrowings		8 041 977	10 435 449
Creditors		1 217 309	-
Total Finance Costs		9 259 287	10 435 449
27 BULK PURCHASES			
Electricity		37 459 695	38 985 192
Water		4 492 556	6 800 634
Total Bulk Purchases		41 952 251	45 785 826

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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Distribution Losses

Electricity

Electricity Purchased (MWh)		97 020	
Electricity Sold (MWh)		(72 149)	
Total loss Incurred (MWh)		24 871	
Average Cost per MWh		R 525.41	
Total Loss (R)		13 067 426	

Water

Water Purchases and pumped (KL)		2 974 398	
Water Purchased Loss (KL)		113 053	
Water Pumping Loss (KL)		725 727	
Total Loss Incurred (KL)		838 780	
Average Cost per KL purchased		R 2.79	
Average Cost per KL pumped		R 0.46	
Total Loss (R)		652 277	

28 CONTRACTED SERVICES

Accounting services	1 540 476	3 833 628
Architectural services	1 636	-
Business plans and feasibility services	197 958	-
Computer Services	-	394 828
Consulting Services	-	1 055 517
Contracted Workers	2 641 439	-
Legal Services	-	3 507 990
Meter reading services	234 710	304 629
Payroll services	177 415	-
Professional Services	840 372	-
Security services	889 963	391 892
Valuation services	79 355	-
	6 603 325	9 488 484

29 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	293 088	114 838
Affiliation fees	-	399 682
Audit fee	2 267 667	1 607 750
Bank charges	612 807	516 589
Books and publications	93 951	-
Chemicals	94 877	89 426
Civil Entertainment	-	161 595
Cleaning materials and consumables	142 766	158 606
Community functions	20 531	-
Computer Expenses	-	3 005
Congresses and conferences	25 000	-
Debt Collection	-	6 082 194

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Disaster Management		-	20 520
Electricity		2 654 640	220 838
Employee Arbitration Cases		800 885	-
Employee assistance program		17 193	-
Employee bursaries		63 243	-
Employee furniture removal costs		16 337	-
Employee sports program		37 622	-
Entertainment - Councillors		6 660	1 228
Entertainment - Officials		3 269	23 541
Fleet		-	1 659
Fraud hotline		-	-
Indigent Subsidy		-	1 929 983
Insurance premiums		601 621	517 091
Legal expenses		1 421 468	-
Licenses : Other		21 400	-
Machinery : Fuel and oil		4 679	-
Material		45 982	-
Mayoral inauguration		125 702	-
Membership fees : Societies		530 861	-
Motor vehicle expenses		-	44 967
Other expenses		-	168 731
Pensioners medical aid		-	36 678
Postage stamps and telegraphs		719 741	575 750
Printing and stationery		658 200	611 494
Refreshments and meals		181 034	-
Rental : Equipment		897 767	153 170
Rental : Office		-	-
Royalties and license fees		-	161 106
Small tools and equipment		686 527	-
Software expenses		124 440	-
Stipends: Ward Committee Members		-	355 037
Sundry expences		10 905	-
Sundry creditors written off		-	-
Telephone		1 391 342	850 262
Training and courses		152 147	269 265
Travel and subsistence : Councillors		117 457	-
Travel and subsistence : Officials		196 564	330 405
Travel and subsistence : Interviews		7 680	-
Uniforms and protective clothing		226 334	151 425
Valuation Roll		-	190 527
Vehicles : Fuel and oil		2 260 001	-
Vehicles : Licenses		202 374	-
Vehicles : Rental		185 764	-
Total		17 946 530	15 747 362

30 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	(5 080)	-
Total Gain / (Loss) on Sale of Assets	(5 080)	-

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
31 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(51 518 443)	(10 594 768)
<i>Adjustment for:-</i>			
Depreciation and amortisation		45 016 814	8 462 733
(Gain)/Loss on sale of assets		5 080	-
(Gain)/ Loss on biological assets		2 006 556	(551 865)
 (Gain) / Loss on fair value adjustment - Biological Assets		(1 097 665)	-
Bad Debts		58 417 200	26 812 530
Increase/(decrease) in provisions		(1 074 949)	9 508 088
Prior year retained earnings error		-	18 899 591
Non-cash item		6 994 865	-
Operating surplus before working capital changes:		58 749 459	52 536 309
 (Increase)/decrease in trade receivables		(50 208 448)	(42 063 730)
(Increase)/decrease in other receivables		(5 398 903)	3 228 882
(Increase)/decrease in inventory		(186 504)	219 669
(Increase)/decrease in VAT receivable		(9 979 998)	2 009 048
Increase/(decrease) in trade payables		37 212 832	(15 806 872)
Increase/(decrease) in consumer deposits		486 130	173 992
 Increase/(decrease) in conditional grants and receipts		(8 644 320)	3 672 559
Cash generated by/(utilised in) operations		22 030 248	3 969 857
 32 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		5 974 637	(163 806)
Short term investments		3 178 695	3 462 614
Net cash and cash equivalents (net of bank overdrafts)		9 153 332	3 298 807

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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33 CORRECTION OF ERROR

With the implementation of GRAP a government grant reserve was created, however this balance is not supported and is not in terms of any GRAP standard. This balance has

33.1 now been written back.

The comparative amount has been restated as follows:

Net Assets

Government Grant Reserve (Increase)/Decrease	92 154 045
--	------------

Net effect on Net Assets	92 154 045
--------------------------	------------

Net effect on Accumulated surplus opening balance	92 154 045
---	------------

With the implementation of GRAP a Donations and Public Contributions reserve was created, however this balance is not supported and is not in terms of any GRAP standard.

33.2 This balance has now been written back.

The comparative amount has been restated as follows:

Net Assets

Donations and Public Contributions (Increase)/Decrease	4 979 840
--	-----------

Net effect on Net Assets	4 979 840
--------------------------	-----------

Net effect on Accumulated surplus opening balance	4 979 840
---	-----------

We noted that the amount on deposits, sundry and other debtors and the provision for bad debts disclosed as part of Trade and other receivables in the prior year does not exist.

33.3 The balance is not supported and therefore now written off

The comparative amount has been restated as follows:

Current Assets

Other receivables from non-exchange transactions Increase/(Decrease)	(4 113 256)
--	-------------

Net effect on Statement of Financial Position	(4 113 256)
---	-------------

Net effect on Accumulated surplus opening balance	(4 113 256)
---	-------------

In the current year we noted that the prior year unallocated receipts, land sales and other deposits suspense accounts had no support and the balances could not be explained.

33.4 Therefore these balances are now written off

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
<u>Trade and other payables</u>			
<i>Other Creditors (Increase)/Decrease</i>			11 557 629
Net effect on Statement of Financial Position			11 557 629
Net effect on Accumulated surplus opening balance			11 557 629
A review was performed on all outstanding creditors and the balance corrected to reflect the actual creditor balance			
33.5 at year-end. A opening balance adjustment was performed			
<u>Current Liabilities</u>			
<i>Trade and Other payables from exchange transactions (Increase)/Decrease - Trade Creditors</i>			99 120 902
<i>Trade and Other payables from exchange transactions (Increase)/Decrease - Other Creditors</i>			4 772 359
<i>Trade and Other payables from exchange transactions (Increase)/Decrease - Trade Creditors</i>			(74 612 801)
Net effect on Statement of Financial Position			29 280 460

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Net effect on Accumulated surplus opening balance			29 280 460
<p>We noted that the assets recognised as intangible assets does not meet the definition or recognition criteria. The software purchased should have been expensed.</p>			
33.6			
<u>Non-current assets</u>			
<i>Intangible assets Increase/(Decrease)</i>			(476 431)
Net effect on Statement of Financial Position			(476 431)
Net effect on Accumulated surplus opening balance			(476 431)
<p>We noted that no accrual for the annual bonus payout was disclosed in prior years. This has now been corrected</p>			
33.7			
<u>Current Liabilities</u>			
<i>Trade and Other Payables (Increase)/Decrease</i>			(2 250 759)
Net effect on Statement of Financial Position			(2 250 759)
Net effect on Accumulated surplus opening balance			(2 250 759)

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
<p>We noted that no provision for the long-service award payout was disclosed in prior years. This has now been corrected.</p> <p>33.8</p>			
<u>Current Liabilities</u>			
<i>Provisions (Increase)/Decrease</i>			(330 325)
<u>Non-current liabilities</u>			
<i>Provisions (Increase)/Decrease</i>			(7 673 873)
Net effect on Statement of Financial Position			(8 004 197)
Net effect on Accumulated surplus opening balance			(8 004 197)
<p>We noted that the Provision on the rehabilitation of the landfill site was incorrectly recorded in the prior year. This has now been corrected</p> <p>33.9</p>			
<u>Current Liabilities</u>			
<i>Current provisions (Increase)/Decrease</i>			257 371
<u>Non-Current Liabilities</u>			
<i>Non-Current Provision (Increase)/Decrease</i>			(9 785 257)
Net effect on Statement of Financial Position			(9 527 886)
Net effect on Accumulated surplus opening balance			(9 527 886)
<p>The outstanding balance on the finance lease liability was also included in the DBSA Borrowings calculation, therefore the amount was recognised twice. Furthermore interest was not calculated correctly in the prior year. This has now been corrected</p> <p>33.10</p>			
<u>Current Assets</u>			
<i>Current portion of borrowings ((Increase)/Decrease)</i>			516 942
<i>Current portion of finance lease liability ((Increase)/Decrease)</i>			420
Net effect on Statement of Financial Position			517 362
Net effect on Accumulated surplus opening balance			517 362
<p>The petty cash balance from the prior year was not supported, the incorrect balance has been written off and the new opening balance recorded</p> <p>33.11</p>			
<u>Current Assets</u>			
<i>Petty Cash (Increase)/((Decrease))</i>			(9 937)
<i>Petty Cash (Increase)/((Decrease))</i>			413

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Net effect on Statement of Financial Position			(9 524)
Net effect on Accumulated surplus			-
Net effect on Accumulated surplus opening balance			(9 524)
The cashbook balances for the prior year were reperformed to ensure that the correct cashbook balance was accounted for.			
33.12			
<u>Current Assets</u>			
<i>Cash and cash equivalents (Increase)/(Decrease)</i>			(9 534 780)
Net effect on Statement of Financial Position			(9 534 780)
Net effect on Accumulated surplus opening balance			(9 534 780)
Retentions payable at 30 June 2011 was not recognised.			
33.13 This has now been corrected			
<u>Current Liabilities</u>			
<i>Retentions ((Increase)/Decrease)</i>			(59 392)
Net effect on Statement of Financial Position			(59 392)
Net effect on Accumulated surplus opening balance			(59 392)
Property previously disclosed as Investment Property, but was incorrectly applied as the municipality does not own any Investment Property			
33.14			
<u>Non-Current Assets</u>			
<i>Investment Properties ((Increase)/Decrease)</i>			(3 116 268)
Net effect on Statement of Financial Position			(3 116 268)
Net effect on Accumulated surplus opening balance			(3 116 268)
Property, plant and equipment incorrectly valued identified and disclosed in prior years, now corrected			
33.15			
<u>Non-Current Assets</u>			
<i>Property, plant and equipment (Increase)/(Decrease))</i>			(169 812 317)
<i>Property, plant and equipment (Increase)/(Decrease))</i>			971 103 117
Net effect on Statement of Financial Position			801 290 800
Net effect on Accumulated surplus opening balance			801 290 800

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
TOTAL CORRECTION OF ERROR - OPENING BALANCE ((Surplus)/Deficit)			902 687 644

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL

34 EXPENDITURE DISALLOWED

34.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful exp.

Opening balance -	35 624 502	6 224 403
Fruitless and wasteful expenditure current year	9 300 189	43 247 962
Condoned or written off by Council	-	(13 847 863)
To be recovered – contingent asset	-	
Fruitless and wasteful expenditure awaiting condonement	44 924 690	35 624 502

Disciplinary steps/criminal proceedings

The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables as well as penalties and interest on the DBSA Loans in arrears. The late payments are due to cashflow challenges being experienced by the municipality.

34.2 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance -	139 590	-
Irregular expenditure current year	14 219 746	139 590
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	14 359 336	139 590

Incident & Disciplinary steps/criminal proceedings

Procurement not in line with the Supply Chain Management Regulations

34.3 Unauthorised Expenditure

Reconciliation of Unauthorised expenditure

Opening balance -	-	-
Unauthorised expenditure current year	55 843 996	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Unauthorised expenditure awaiting condonement	55 843 996	-

Incident & Disciplinary steps/criminal proceedings

Unauthorised expenditure due to overspending on the budget

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL

35 FINANCE MANAGEMENT ACT

35.1 Audit fees

Opening balance	5 727 311	3 340 318
Current year audit fee	2 585 140	3 586 993
Amount paid - current year	(600 000)	(1 200 000)
Amount paid - previous years		

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Balance unpaid (included in payables)		7 712 451	5 727 311

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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35.2 VAT RECEIVABLE

VAT input receivable is shown in note 5

5

17 130 760	7 150 762
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35.3 PAYE, UIF and SDL

Opening balance	(10 109 255)	(4 900 485)
Current year payroll deductions	(8 362 773)	(5 208 770)
Amount paid - current year	5 284 793	-
Balance unpaid (included in payables)	(13 187 235)	(10 109 255)

35.4 Pension and Medical Aid Deductions

Opening balance	1 823 381	-
Current year payroll deductions and Council Contributions	17 178 258	-
Amount paid - current year	(18 490 400)	-
Balance unpaid (included in payables)	511 238	-

35.5 COUNCILLORS ARREAR CONSUMER ACCOUNTS

The following Councillors had arrear accounts outstanding for more than 90 days as at:

as at 30 June 2012

	Outstanding < 90 days	Outstanding > 90 days	Total
MA Nchochoba	1 500	17 209	18 709
D Motobo	1 503	16 686	18 189
ST Modise	1 707	6 848	8 554
ML Thekisho	1 635	6 001	7 636
OJ Bareki	1 541	5 708	7 250
J Mathiba	1 722	2 811	4 533
L Coetzee	4 408	-	4 408
MA Mccarthy	1 477	2 731	4 208
TG Moruri	1 306	1 772	3 078
DP Matobo	101	2 328	2 429
A Diedericks	1 498	-	1 498
MG Kegakilwe	1 402	-	1 402
MC Pretorius	1 270	-	1 270
MJ Mathiba	923	187	1 110
CJ Groep	603	-	603
MF Tinyane	58	98	156
JA Adonis	132	-	132
EP Renoster	29	-	29
BTB Moabi	20	-	20
TG Moroka	7	-	7
Total Councillor Arrear Consumer Accounts	22 845	62 378	85 223

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
	Outstanding < 90 days	Outstanding > 90 days	Total
as at 30 June 2011			
JM Nchochoba	1 457	14 004	15 461
DP Matobo	750	14 438	15 188
ST Modise	1 045	12 250	13 295
BP Bareng	1 253	7 542	8 795
MC Pretorius	657	7 733	8 390
MJ Mathiba	1 072	4 927	5 999
ML Thekisho	476	4 533	5 009
OJ Bareki	771	1 836	2 607
MG Kegakilwe	-	1 211	1 211
EP Renooster	-	441	441
CJ Groep	-	391	391
JA Adonis	-	126	126
Total Councillor Arrear Consumer Accounts	7 481	69 432	76 913

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

as at 30 June 2012

	Highest amount outstanding	Ageing Days
MA Nchochoba	17 209	90 +
D Motobo	16 686	90 +
ST Modise	6 848	90 +
ML Thekisho	6 001	90 +
OJ Bareki	5 708	90 +
J Athiba	2 811	90 +
MA Mccarthy	2 731	90 +
DP Matobo	2 328	90 +
TG Moruri	1 772	90 +
MJ Mathiba	187	90 +
MF Tinyane	98	90 +

Non-Compliance with Chapter 11 of the Municipal Finance

35.6 Management Act (MFMA)

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note 34.2

34.2

14 359 336	139 590
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Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for	2 730 787	18 548 130
Property, plant and equipment	2 730 787	18 548 130
 - Approved and not yet contracted	 3 303 080	 34 139 355
Property, plant and equipment	3 303 080	34 139 355
 Total	 6 033 867	 52 687 485
This expenditure will be financed from:		
- Government Grants	6 033 867	52 687 485
- Own resources	-	-
	6 033 867	52 687 485

37 EVENTS AFTER REPORTING DATE

at 30 June 2012

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements

38 RETIREMENT BENEFIT INFORMATION

38.1 Defined contribution plan

An amount of R11,056,556.95 was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

39 CONTINGENT LIABILITY

Baloka Trust; J.J. Scholtz; N.O,P.E Soltz, N.O, HJ Van Eck	100 000	100 000
Naledi Municipality/Suspension of Municipal Manager	3 420	3 420
Illegal Occupation: DAVIDS AND RENOSTER	1 140	1 140
ROGASHAI PROPERTY DEV CC. <i>Repossession of erven 3910 & 3911</i>	500	500
ILLEGAL SQUATTERS IN HUHUDI ERF 506 & 4405 <i>Eviction</i>	5 700	5 700
R. MOMPATI AND T. KEBOTLHALE; G.H GALENG AND K.N COLANE	1 355 000	1 355 000
J Human: Debt collection	5 700	5 700
Brinks Props PTY LTD	30 000	30 000
V R Morakile: Eviction	570	570
T Kebotlhale and others	446 489	446 489
Opinion traffic	520	520
LM Nthutang	79 464	79 464

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
Mrs Scholtz		463	463
Vaal Harts water		6 113 280	-
Adv D Tsaenyane		350 292	350 292
Carla Van Der Vyver T/A Choices		18 008	-
Khasu Engineering PTY LLTD: Defamation claim		1 419	1 419
TI Mokwena		150 125	150 125
W F Van Der Ryst		103 541	103 541
HE Seimelo / CF Engelbrecht		11 561	11 561
Telkom SA LTD		24 611	24 611
Mr Gaobape: Arbitration		75 510	50 000
Mr Gaobape: Review		105 120	-
Khoisan Civils CC		1 140	1 140
Daimler Fleet Management SA PTY LTD		504 780	504 780
Ultimate Dynamic		456 077	456 077
SALA		1 134 467	1 134 467
IMATU obo Theo Volshenk		12 560	12 560
James Van Coller		47 374	-
JC Jordan		570	570
Disconitnuation of elctricty supply Pudumoe line		-	468
J Duminy and A Dummy		-	1 591
Jerry Joubert and Keeme-Gaobepe		377	377
AGSA		468	-
M & DJ Security Solutions		30 235	27 645
BS Nsedame		15 000	15 000
CC Tsipane		570	-
DM Burke and others		9 081	-
T Seichoko and others		11 348	-
Gorolotse and others		29 289	-
Cape Joint Pension Fund		50 000	-
Minto's Engineers and Project Managers		5 000	-
Oustanding bonuses: Opinion		912	-
MK Mentoer		1 500	-
ML Mogwasi		1 500	-
Joseph Mokgothu		1 500	-
SB Maruping		1 500	-
Mafried Beesboerdery		1 500	-
L Maogwe and other on the behalf of SAMWU		1 500	-
Suidwes Landbou		2 484	-
Earthmouthing and Truck repair (Johan Badenhorst)		1 500	-
Fynbosland 435 CC		35 400	-
JB Van Eeden		1 500	-
Erven to be alienated		1 500	-
JL Rossouw		1 500	-
A Van Rooyen		1 500	-
Dusty Moon Inv		2 892	-
BS Tsele		1 500	-
		11 350 458	4 875 192

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
40 CONTINGENT ASSET			
Khasu Engineering		161 111	161 111
Mr S Sikhomba		3 847	3 847
I Du T Fourie (x4) and Knotiki CC		27 927	27 927
JO Nortjie		2 000	2 000
AA Kock		106 250	365 250
BengMong Mini Market		41 844	41 844
Sparax Trading 158 PTY LTD T/A Rapid roads		20 520	20 520
Thabo's Butchery		94 873	-
Wiets Vervoer Bk		596	-
CNJ Van Rensburg		27 073	-
TI Mokwena		110 893	110 893
		596 934	733 392
41 RELATED PARTIES			
41.1 <u>Members of key management - Section 57</u>			
A Smit		-	-
K G Gaobepe		-	-
I T Mokwena		-	-
O Ndlovu		-	-
D Thornhill		-	-
G L Pretorius		-	-
MT Segapo		-	-
		-	-
<i>No related party transactions occurred between the municipality and its key management</i>			
Compensation to councillors and other key management (refer to note 21 & 22)			
41.2 <u>Purchases from (sales to) persons in service of state</u>			
MC Motlhabang		-	1 738
J Mutyoruta		-	1 738
CKS Matshitse		-	2 010
TA Molale		-	3 000
MC Ndhala		-	32 280
LG Seboko		-	4 780
		-	45 546
Total Related Party Transactions		-	45 546

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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42 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

42.1 Impairment of receivables

Management has an accounting policy in place to provide for the impairment of bad debts. The policy requires individual assessment of long outstanding debtors

The carrying value of the impairment for bad debt is: 156 404 018 (93 039 987)

The impairment provided for in the Statement of financial performance is: 58 417 200 26 812 530

The following amount of bad debts were written off and was approved by management and condoned by council (and is included in the amount as per Statement of financial performance) 2 040 406 -

42.2 The useful lives and residual values of property, plant, and equipment

In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the useful life of other assets are reviewed at least at each reporting date. The residual value of motor vehicles and machinery and equipment are reviewed at each reporting date. The residual value of land and buildings, infrastructure, community assets, heritage assets and other assets have been assessed at zero as the economic life of the assets are more than the useful life.

The carrying value of assets at year end, subject to the annual review is: 949 793 236 971 103 116

42.3 Provision for rehabilitation of landfill site

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. De-escalation of the current estimated costs in order to arrive at estimated costs for the previous financial years, were calculated using the average Consumer Price Indices and inflation rates (July to June per financial year) from SASTATS

The closing balance of the provision is: - -

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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42.4 Provision for long service award

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.5% per annum has been used. This rate does not reflect any adjustment for taxation.

This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.5% and 2.5% above CPI inflation. We assessed the general salary increases over the last 5 years and thus a general salary inflation rate of 8.662% per annum

The closing balance of the provision is:

Current Provision	491 928	330 325
Non-current Provision	8 205 593	7 673 873

43 RISK MANAGEMENT

43.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Current Account (Primary Bank Account) - ABSA Acc nr: 4070282707		(164 220)	(964 871)
Other short-term investments		3 178 695	3 462 614
Trade and other receivables		42 766 269	50 522 949

These balances represent the maximum exposure to credit risk.

43.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

43.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

Development bank of South Africa at an average interest rate of:	15.30%	69 615 765	61 752 583
Call deposits		3 178 695	3 462 614

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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The interest rate risk on the Development Bank of South Africa loan is mitigated by the fact that the current loan is short-term and the interest rate is fixed for the duration of the loan

44 RESTATEMENT OF COMPARITIVE INFORMATION

Money Market Investments have been reclassified as Cash and Cash Equivalents in the current year. The effect of the

44.1 restatement is summarised below:

Statement of Financial Position:

Current Assets

Money Market Investments (Increase/(Decrease))	(3 462 613)
--	-------------

Cash and Cash Equivalents (Increase/(Decrease))	3 462 613
---	-----------

Fair value adjustments (Biological assets) has been reclassified from Revenue to Other movements - Gain/(Loss) on fair value adjustment. The effect of the restatement is

44.2 summarised below:

Statement of Financial Performance

Revenue

Fair value adjustments (Biological Assets) ((Increase)/Decrease)	551 865
---	---------

Other

Gain / (loss) on fair value adjustment - Biological Assets ((Increase)/Decrease)	(551 865)
---	-----------

Various types of income has been reclassified as other

44.3 income. The effect of the restatement is summarised below:

Statement of Financial Performance

Revenue

Rendering of services ((Increase)/Decrease)	601 751
---	---------

Income from agency services ((Increase)/Decrease)	120 913
---	---------

Miscellaneous other revenue ((Increase)/Decrease)	1 117 815
---	-----------

Fees earned ((Increase)/Decrease)	11 255
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Entrance Fees ((Increase)/Decrease)	44 197
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Commissions received ((Increase)/Decrease)	691 818
--	---------

Other Income ((Increase)/Decrease)	(2 587 749)
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Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
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Public Contributions and donations has been reclassified as Government grants and subsidies. The effect of the
44.4 restatement is summarised below:

Statement of Financial Performance

Revenue

Public contributions and donations ((Increase)/Decrease) 4 801 640

Government grants and subsidies ((Increase)/Decrease) (4 801 640)

The following types of expenditure disclosed as part of General Expenses has been reclassified as Contracted Services. The effect of the restatement is summarised
44.5 below:

Statement of Financial Performance

General Expenses

Consulting and professional fees (Increase/(Decrease)) (8 791 963)

Meter reading costs (Increase/(Decrease)) (304 629)

Security Services (Guarding of municipal property)
(Increase/(Decrease)) (391 892)

Contracted Services (Increase/(Decrease)) 9 488 484

Contingent Liabilities and Assets has been reclassified to ensure the amounts are disclosed separately. In the prior year the amounts were netted off, which is in contravention with GRAP. The effect of the restatement is summarised
44.6 below:

Notes to the financial statements

Contingencies (Increase/(Decrease)) (7 650 322)

Contingent Liabilities (Increase/(Decrease)) (8 433 714)

Contingent Assets (Increase/(Decrease)) 783 392

During the physical identification and componentisation no evidence could be found of any Investment Properties, although an amount was disclosed in the prior year. This amount has been written off to the accumulated surplus/deficit. The effect of the restatement is summarised
44.7 below:

Statement in Financial Position

Investment Properties (Increase/(Decrease)) (3 116 268)

Accumulated Surplus/(Deficit) ((Increase)/Decrease) 3 116 268

Naledi Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
During the year we noted that an amount was classified as intangible assets that does not meet the definition. This amount was written off. The effect of the restatement is as follows:			
44.8 <i>Statement in Financial Position</i>			
Intangible Assets (Increase/(Decrease))			(476 431)
Accumulated Surplus/(Deficit) ((Increase)/Decrease)			476 431

45 GOING CONCERN ASSUMPTION

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turn-around in the next financial year due to the following processes and activities implemented to address the Going Concern Risk:

- *A financial turnaround strategy was implemented and approved by Council*
- *Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality*
- *Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis*
- *Advertisements has been placed for a bid to invite suppliers to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors*
- *As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit.*

46 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E

Naledi Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2012

EXTERNAL LOANS	Interest Rate	Loan number	Redeemable Date	as at 1 July 2011	Received during the period	Redeemed / written off during the period	as at 30 June 2012
				R	R	R	R
GOVERNMENT LOANS							
Development Bank of South Africa	9.50%	12885/101	2005/12/31	13 448		(13 114)	335
Development Bank of South Africa	16.32%	13082/101	2012/12/31	4 723 689		912 979	5 636 668
Development Bank of South Africa	15.46%	13083/101	2011/12/31	2 638 838		515 511	3 154 349
Development Bank of South Africa	15.46%	13084/101	2008/12/31	2 494 839		489 484	2 984 323
Development Bank of South Africa	15.46%	13085/101	2008/12/31	113 948		22 356	136 304
Development Bank of South Africa	15.46%	13086/101	2008/12/31	161 028		(157 022)	4 006
Development Bank of South Africa	15.46%	13087/101	2009/12/31	2 336 123		458 344	2 794 467
Development Bank of South Africa	17.00%	13390/101	2019/12/31	8 318 436		1 007 657	9 326 093
Development Bank of South Africa	17.00%	13390/201	2006/12/31	579 094		53 440	632 535
Development Bank of South Africa	17.00%	13391/101	2004/12/31	586 590		54 132	640 722
Development Bank of South Africa	17.00%	13392/101	2019/12/31	1 705 908		223 800	1 929 708
Development Bank of South Africa	17.00%	13393/101	2019/12/31	3 119 799		357 978	3 477 777
Development Bank of South Africa	15.70%	13604/101	2020/12/31	19 233 946		2 170 830	21 404 776
Development Bank of South Africa	15.70%	13604/103	2025/06/30	9 390 682		1 115 523	10 506 205
Development Bank of South Africa	10.00%	09999/102	2015/09/30	6 336 214		651 285	6 987 499
Total Government Loans ***				61 752 583	-	7 863 182	69 615 765
LONG-TERM LOANS							
<i>Finance Lease Obligation</i>							
ABSA Bank		72648256	2012/06/30	52 737		(52 737)	-
ABSA Bank		73854593	2012/06/30	78 777		(78 777)	-
				131 514	-	(131 514)	-
Debis Fleet		2100002175	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002176	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002177	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002178	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002180	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002181	2012/06/30	25 531		(25 531)	-

Naledi Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2012

EXTERNAL LOANS	Interest Rate	Loan number	Redeemable Date	as at 1 July 2011	Received during the period	Redeemed / written off during the period	as at 30 June 2012
				R	R	R	R
Debis Fleet		2100002182	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002183	2012/06/30	28 582		(28 582)	-
Debis Fleet		2100002184	2012/06/30	25 531		(25 531)	-
Debis Fleet		2100002407	2012/06/30	92 241		(92 241)	-
Debis Fleet		2100002492	2012/06/30	59 936		(59 936)	-
				385 007	-	(385 007)	-
Total Long-term loans				516 522	-	(516 522)	-
TOTAL EXTERNAL LOANS				62 269 105	-	7 346 660	69 615 765

***** Government Loans**

The repayment dates of some of the DBSA loans has expired, and the loans have not been repaid in full. Included in the amount owing as set out below is a breakdown of all interest and penalties in arrears. The amount has also been disclosed as Fruitless and Wasteful Expenditure in note 35.1. The repayment terms are still being negotiated with the DBSA

Loan Number	Loan in Default	Redeemable Date	Interest on arrears	Movement	Interest in arrears	Total Outstanding
			30-Jun-11	01-Dec-11	30-Jun-12	30-Jun-12
12885/101	#REF!	2005/12/31	1 675	(1 546)	129	335
13082/101	#REF!	2012/12/31	2 390 970	876 219	3 267 189	5 636 668
13083/101	#REF!	2011/12/31	1 533 579	515 511	2 049 089	3 154 349
13084/101	#REF!	2008/12/31	1 792 985	489 484	2 282 468	2 984 323
13085/101	#REF!	2008/12/31	46 258	22 356	68 614	136 304
13086/101	#REF!	2008/12/31	115 728	(114 183)	1 544	4 006
13087/101	#REF!	2009/12/31	2 130 307	-	2 130 307	2 794 467
13390/101	#REF!	2019/12/31	4 656 721	762 976	5 419 697	9 326 093
13390/201	#REF!	2006/12/31	167 743	53 440	221 183	632 535
13391/101	#REF!	2004/12/31	100 174	54 132	154 306	640 722
13392/101	#REF!	2019/12/31	693 274	156 134	849 407	1 929 708
13393/101	#REF!	2019/12/31	2 050 709	286 539	2 337 249	3 477 777
13604/101	#REF!	2020/12/31	12 054 888	1 724 943	13 779 831	21 404 776
13604/103	#REF!	2025/06/30	5 435 529	833 145	6 268 673	10 506 205

Naledi Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

EXTERNAL LOANS	Interest Rate	Loan number	Redeemable Date	as at 1 July 2011	Received during the period	Redeemed / written off during the period	as at 30 June 2012
				R	R	R	R
09999/102		#REF!	2015/09/30	2 453 963	660 481	3 114 444	6 987 499
				35 624 502	6 319 631	41 944 133	69 615 765

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation				Carrying Value	
	Opening Balance		Additions	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals		Closing Balance
	Cost	Under Construction										
	R	R	R	R	R	R	R	R	R	R		R
Land												
Land	123 808 111	-	-	-	-	-	123 808 111	-	-	-	-	123 808 111
Landfill Sites	10 280 865	3 037 521	-	-	381 625	319 498	14 019 509	(1 048 422)	(707 202)	-	(1 755 624)	12 263 885
	134 088 976	3 037 521	-	-	381 625	319 498	137 827 620	(1 048 422)	(707 202)	-	(1 755 624)	136 071 996
-												
Buildings												
Buildings	36 771 773	-	-	-	-	-	36 771 773	(4 944 566)	(2 678 856)	-	(7 623 423)	29 148 350
Taxi Ranks	2 566 145	-	-	-	-	-	2 566 145	(367 720)	(198 653)	-	(566 373)	1 999 772
Airports	3 143 044	-	-	-	-	-	3 143 044	(440 503)	(250 179)	-	(690 682)	2 452 362
Hostels	6 066 420	-	-	-	-	-	6 066 420	(895 912)	(483 703)	-	(1 379 614)	4 686 806
	48 547 382	-	-	-	-	-	48 547 382	(6 648 701)	(3 611 391)	-	(10 260 092)	38 287 290
Infrastructure												
Roads	12 888 612	925 892	-	-	-	12 864 874	26 679 378	(2 068 059)	(1 179 904)	-	(3 247 963)	23 431 415
Roads Carriage Way	503 653 413	-	-	-	-	-	503 653 413	(40 300 056)	(20 150 028)	-	(60 450 084)	443 203 329
Roads Storm Water Network	17 897 197	-	-	-	-	-	17 897 197	(948 585)	(474 292)	-	(1 422 877)	16 474 320
Roads Structures	15 090 890	-	-	-	-	-	15 090 890	(838 302)	(419 151)	-	(1 257 453)	13 833 437
Roads Traffic Management	137 526	-	-	-	-	-	137 526	(9 030)	(4 515)	-	(13 545)	123 980
Electricity Mains	-	265 704	-	-	-	2 833 075	3 098 779	-	-	-	-	3 098 779
Electricity Buildings	12 120 082	-	-	-	-	-	12 120 082	(977 830)	(488 915)	-	(1 466 745)	10 653 338
Electricity Civil Works	64 014 565	-	-	-	-	-	64 014 565	(5 608 926)	(2 804 463)	-	(8 413 390)	55 601 175
Electrical Works	159 435 655	-	-	-	-	-	159 435 655	(14 914 115)	(7 457 058)	-	(22 371 173)	137 064 482
Water Tanks & Stands	15 162	-	-	-	-	-	15 162	(1 829)	(974)	-	(2 803)	12 359
	785 253 102	1 191 595	-	-	-	15 697 949	802 142 646	(65 666 733)	(32 979 300)	-	(98 646 032)	703 496 614

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

Cost / Revaluation							Accumulated Depreciation				Carrying Value
Opening Balance		Additions	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Cost	Under Construction										
R	R	R	R	R	R	R	R	R	R	R	

Community Assets

Parks & Gardens	105 344	-	-	-	-	-	105 344	(16 844)	(9 542)	-	(26 386)	78 958
Libraries	8 464 848	-	-	-	-	-	8 464 848	(870 770)	(463 034)	-	(1 333 804)	7 131 044
Game Reserves & Resorts	9 199 108	-	-	-	-	-	9 199 108	(1 411 276)	(770 654)	-	(2 181 930)	7 017 178
Recreation												
Grounds	8 101 731	-	-	-	-	-	8 101 731	(1 359 526)	(805 299)	-	(2 164 825)	5 936 906
Civic Buildings	9 210 617	-	-	-	-	-	9 210 617	(1 254 813)	(674 113)	-	(1 928 926)	7 281 691
Halls	14 796 898	-	-	-	-	-	14 796 898	(1 920 679)	(1 027 854)	-	(2 948 533)	11 848 365
Community Buildings	454 661	-	-	-	-	-	454 661	(69 203)	(37 515)	-	(106 718)	347 943
Nurseries	743 824	-	-	-	-	-	743 824	(174 737)	(99 160)	-	(273 898)	469 926
Swimming Pools	912 630	-	-	-	-	-	912 630	(161 852)	(89 421)	-	(251 273)	661 357
Cemeteries	884 448	-	5 090 963	-	-	-	5 975 411	(122 162)	(157 395)	-	(279 557)	5 695 853
	52 874 109	-	5 090 963	-	-	-	57 965 072	(7 361 862)	(4 133 987)	-	(11 495 849)	46 469 222

Heritage Assets

Historical Buildings	486 786	-	-	-	-	-	486 786	-	-	-	-	486 786
Artifacts, collections and other objects	232 500	-	-	-	-	-	232 500	-	-	-	-	232 500
	719 286	-	-	-	-	-	719 286	-	-	-	-	719 286

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

Cost / Revaluation							Accumulated Depreciation				Carrying Value
Opening Balance		Additions	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Cost	Under Construction										
R	R	R	R	R	R	R	R	R	R	R	R

971 679	-	31 397	-	-	-	1 003 075	(142 636)	(149 270)	-	(291 906)	711 169
3 270 686	-	19 986	-	-	-	3 290 672	(398 107)	(473 556)	-	(871 663)	2 419 009
337 820	-	-	-	-	-	337 820	(52 435)	(34 430)	-	(86 865)	250 955
16 423 800	-	1 406 711	-	-	-	17 830 511	(2 665 716)	(1 390 542)	-	(4 056 258)	13 774 253
7 622 043	-	520 392	-	-	-	8 142 435	(1 240 490)	(1 147 970)	-	(2 388 460)	5 753 975
1 118 600	-	141 268	-	-	-	1 259 868	(112 300)	(250 384)	-	(362 684)	897 185
1 176 715	-	102 226	(5 263)	-	-	1 273 678	(192 795)	(138 783)	183	(331 394)	942 283
30 921 342	2 221 980	(5 263)	-	-	33 138 059	(4 804 479)	(3 584 935)	183	(8 389 231)	24 748 828	
1 052 404 197	4 229 116	7 312 943	(5 263)	381 625	16 017 447	1 080 340 064	(85 530 197)	(45 016 814)	183	(130 546 828)	949 793 236

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation						Accumulated Depreciation				Carrying Value	
	Opening Balance		Additions	Disposals	Other	Under	Closing Balance	Opening	Depreciation	Disposals		Closing Balance
	R		R	R	R	R	R	R	R	R		R
Land												
Land	123 808 111	-	-	-			123 808 111	-	-	-	-	123 808 111
Landfill Sites	9 757 564	-	-	-	523 301	3 037 521	13 318 386	(503 846)	(544 576)	-	(1 048 422)	12 269 963
	133 565 675	-	-	-	523 301	3 037 521	137 126 497	(503 846)	(544 576)	-	(1 048 422)	136 078 074
	-							-	-			
Buildings												
Buildings	36 771 773	-	-	-	-	-	36 771 773	(2 472 283)	(2 472 283)	-	(4 944 566)	31 827 207
Taxi Ranks	2 566 145	-	-	-	-	-	2 566 145	(183 860)	(183 860)	-	(367 720)	2 198 425
Airports	3 143 044	-	-	-	-	-	3 143 044	(220 252)	(220 252)	-	(440 503)	2 702 541
Hostels	6 066 420	-	-	-	-	-	6 066 420	(447 956)	(447 956)	-	(895 912)	5 170 508
	48 547 382	-	-	-	-	-	48 547 382	(3 324 351)	(3 324 350)	-	(6 648 701)	41 898 681
Infrastructure												
Roads	12 888 612	-	-	-	-	925 892	13 814 504	(1 034 029)	(1 034 029)	-	(2 068 059)	11 746 445
Roads Carriage												
Way	503 653 413	-	-	-	-	-	503 653 413	(20 150 028)	(20 150 028)	-	(40 300 056)	463 353 357
Roads Storm												
Water Network	17 897 197	-	-	-	-	-	17 897 197	(474 292)	(474 292)	-	(948 585)	16 948 612
Roads Structures	15 090 890	-	-	-	-	-	15 090 890	(419 151)	(419 151)	-	(838 302)	14 252 588
Roads Traffic												
Management	137 526	-	-	-	-	-	137 526	(4 515)	(4 515)	-	(9 030)	128 496
Electricity Mains	-	-	-	-	-	265 704	265 704	-	-	-	-	265 704
Electricity												
Buildings	12 120 082	-	-	-	-	-	12 120 082	(488 915)	(488 915)	-	(977 830)	11 142 252
Electricity Civil												
Works	64 014 565	-	-	-	-	-	64 014 565	(2 804 463)	(2 804 463)	-	(5 608 926)	58 405 638
Electrical Works	159 435 655	-	-	-	-	-	159 435 655	(7 457 058)	(7 457 058)	-	(14 914 115)	144 521 540
Water Tanks &												
Stands	15 162	-	-	-	-	-	15 162	(915)	(915)	-	(1 829)	13 333
	785 253 102	-	-	-	-	1 191 595	786 444 698	(32 833 366)	(32 833 366)	-	(65 666 733)	720 777 965

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation						Accumulated Depreciation					
	Opening Balance		Additions	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals		Closing Balance
	Cost	Under Construction										
	R	R	R	R	R	R	R	R	R	R	R	
Community Assets												
Parks & Gardens	105 344	-	-	-	-	-	105 344	(8 422)	(8 422)	-	(16 844)	88 500
Libraries	8 464 848	-	-	-	-	-	8 464 848	(435 385)	(435 385)	-	(870 770)	7 594 078
Game Reserves												
& Resorts	9 199 108	-	-	-	-	-	9 199 108	(705 638)	(705 638)	-	(1 411 276)	7 787 832
Recreation												
Grounds	8 101 731	-	-	-	-	-	8 101 731	(679 764)	(679 762)	-	(1 359 526)	6 742 205
Civic Buildings	9 210 617	-	-	-	-	-	9 210 617	(627 406)	(627 406)	-	(1 254 813)	7 955 804
Halls	14 796 898	-	-	-	-	-	14 796 898	(960 340)	(960 340)	-	(1 920 679)	12 876 219
Community												
Buildings	454 661	-	-	-	-	-	454 661	(34 602)	(34 602)	-	(69 203)	385 458
Nurseries	743 824	-	-	-	-	-	743 824	(87 369)	(87 368)	-	(174 737)	569 087
Swimming Pools	912 630	-	-	-	-	-	912 630	(80 926)	(80 926)	-	(161 852)	750 778
Cemeteries	884 448	-	-	-	-	-	884 448	(61 081)	(61 081)	-	(122 162)	762 286
	52 874 109	-	-	-	-	-	52 874 109	(3 680 932)	(3 680 930)	-	(7 361 862)	45 512 247
Heritage Assets												
Historical												
Buildings	486 786	-	-	-	-	-	486 786	-	-	-	-	486 786
Artifacts,												
collections and												
other objects	232 500	-	-	-	-	-	232 500	-	-	-	-	232 500
	719 286	-	-	-	-	-	719 286	-	-	-	-	719 286

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

Cost / Revaluation							Accumulated Depreciation				Carrying Value
Opening Balance		Additions	Disposals	Other	Under	Closing Balance	Opening	Depreciation	Disposals	Closing Balance	
Cost	Under Construction										
R	R	R	R	R	R	R	R	R	R	R	R

971 679	-	-	-	-	-	971 679	(22 629)	(120 007)	-	(142 636)	829 043
3 270 686	-	-	-	-	-	3 270 686	(26 400)	(371 707)	-	(398 107)	2 872 579
337 820	-	-	-	-	-	337 820	(18 005)	(34 430)	-	(52 435)	285 385
16 423 800	-	-	-	-	-	16 423 800	(1 344 388)	(1 321 328)	-	(2 665 716)	13 758 084
7 622 043	-	-	-	-	-	7 622 043	(415 628)	(824 862)	-	(1 240 490)	6 381 553
1 118 600	-	-	-	-	-	1 118 600	(55 110)	(57 190)	-	(112 300)	1 006 300
1 176 715	-	-	-	-	-	1 176 715	(79 506)	(113 289)	-	(192 795)	983 920
30 921 342	-	-	-	-	-	30 921 342	(1 961 666)	(2 842 813)	-	(4 804 479)	26 116 863
-	-	-	-	-	-	-	-	-	-	-	-
1 051 880 897	-	-	-	523 301	4 229 116	1 056 633 313	(42 304 161)	(43 226 036)	-	(85 530 197)	971 103 116

Naledi Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation				Carrying value
		Additions & Capital Under Construction	Other Movements	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Office of the Mayor	R 28 740	R -	R -	R -	R -	R 28 740	R -5 291	R -4 591	R -	R -9 883	R 18 857
Office of the Speaker	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
Office of the Municipal Manager	R 537 664	R 23 838	R -	R -	R -	R 561 503	R -28 713	R -81 529	R -	R -110 242	R 451 261
Financial Services	R 805 303	R 78 948	R -	R -	R -	R 884 251	R -86 311	R -139 480	R -	R -225 792	R 658 459
Corporate Services - Human Resource	R 937 184	R 60 100	R -	R -	R -	R 997 284	R -146 071	R -169 150	R -	R -315 222	R 682 063
Community Services	R 3 525 459	R 67 448	R -	R -5 263	R -	R 3 587 643	R -443 049	R -505 350	R 183	R -948 215	R 2 639 428
Community Services - Community Facilities	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
Community Services - Libraries	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
Community Services - Cemeteries	R 17 700	R -	R -	R -	R -	R 17 700	R -2 457	R -2 517	R -	R -4 974	R 12 726
Community Services - Traffic	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
Technical Services	R 1 049 745 822	R 6 812 496	R 381 625	R -	R 16 017 447	R 1 072 957 390	R -84 756 036	R -44 060 043	R -	R -128 816 079	R 944 141 311
Technical Services - Electricity	R 73 861	R -	R -	R -	R -	R 73 861	R -15 510	R -9 611	R -	R -25 121	R 48 741
Technical Services - Mechanical Workshop	R 232 008	R 270 113	R -	R -	R -	R 502 121	R -44 158	R -42 957	R -	R -87 115	R 415 006
Total	1 055 914 027	7 312 943	381 625	(5 263)	16 017 447	1 079 620 779	(85 530 197)	(45 016 814)	183	(130 546 828)	949 073 950

for the year ended 30 June 2012

2011	2011	2011	2011
REVENUE	EXPENSES	OTHER	Surplus / (Deficit)
R	R	R	R
-	-	-	-

- Office of the Mayor
- Office of the Speaker
- Office of the Municipal Manager
- Financial Services
- Corporate Services - Administration
- Corporate Services - Human Resource
- Community Services
- Community Services - Community Facilities
- Community Services - Libraries
- Community Services - Cemeteries
- Community Services - Traffic
- Community Services - Nature Reserve
- Community Services - Housing Administration
- Community Services - Fire and Disaster Services
- Community Services - Technical Services
- Technical Services
- Technical Services - Electricity
- Technical Services - Water
- Technical Services - Refuse Removal
- Technical Services - Sewerage and Sanitation
- Technical Services - Roads and Street Lighting
- Technical Services - Town Planning
- Technical Services - Project Management Unit
- Technical Services - Mechanical Workshop
- Total**

2012	2012	2012	2012
REVENUE	EXPENSES	OTHER	Surplus / (Deficit)
R	R	R	R
-	1 061 378	-	(1 061 378)
-	4 768 336	-	(4 768 336)
10 000	6 102 207	-	(6 092 207)
61 522 605	84 357 942	-	(22 835 337)
89 980	6 948 419	-	(6 858 439)
-	2 502 976	-	(2 502 976)
-	4 353 849	(5 080)	(4 358 929)
134 763	3 930 751	-	(3 795 988)
1 024 267	3 368 681	-	(2 344 414)
11 762	1 029 309	-	(1 017 547)
264 882	1 281 656	-	(1 016 774)
1 952 017	9 170 751	-	(7 218 734)
9 693	611 309	(908 891)	(1 510 506)
2 608	63 800	-	(61 192)
-	5 630 727	-	(5 630 727)
70 355	49 126 921	-	(49 056 565)
74 950 474	45 696 113	-	29 254 361
25 516 533	11 945 322	-	13 571 211
12 788 139	8 137 722	-	4 650 418
13 107 443	4 253 544	-	8 853 899
2 146 395	5 533 363	-	(3 386 968)
679 198	503 696	-	175 502
18 668 408	630 955	-	18 037 453
-	2 544 268	-	(2 544 268)
212 949 524	263 553 996	(913 971)	(51 518 443)

Sufficient supporting was not available or practical to enable us to reconstruct the comparative amounts of the segmental statement of financial performance

Naledi Local Municipality
APPENDIX E
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the year ended 30 June 2012

	Actual	Adjustments Budget	Variance Over/(Underspent)	Variance %	Explanation of significant variances greater than 10% versus budget
	R	R	R	%	
REVENUE					
Property Rates	23 972 037	25 486 520	-1 514 483	-6%	<i>Variance due to penalties disclosed seperately</i>
Property rates - penalties imposed and	1 604 743		1 604 743	100%	<i>No budget was provided for for penalties imposed</i>
Service Charges	123 276 668	126 214 246	-2 937 578	-2%	<i>Variance considered to be immaterial</i>
Rental of facilities and equipment	898 256	512 655	385 602	75%	<i>Facilities were rented out more than anticipated</i>
Interest earned - External Investments	171 007	-	171 007	100%	<i>Variance considered to be immaterial</i>
Interest earned - Outstanding Receivables	9 063 589	7 110 061	1 953 528	27%	<i>Debtors payback term longer than anticipated</i>
Fines	296 799	167 394	129 405	77%	<i>Variance considered to be immaterial</i>
Licences and Permits	1 304 524	1 072 760	231 764	22%	<i>Variance considered to be immaterial</i>
Government grants and subsidies	50 109 122	48 555 000	1 554 122	3%	<i>Variance considered to be immaterial</i>
Other income	2 252 779	24 426 604	-22 173 825	-91%	<i>Income earned from other sources not anticipated</i>
TOTAL REVENUE	212 949 524	233 545 239	-20 595 716	-9%	
EXPENDITURE					
Employee related cost	73 764 489	87 585 000	-13 820 511	-16%	<i>Variance considered to be immaterial</i>
Remuneration of councillors	4 327 562	4 518 000	-190 438	-4%	<i>Variance considered to be immaterial</i>
Bad debts	58 417 200	10 000 000	48 417 200	484%	<i>Increase in impairment of bad debts after thorough review of outstanding debtors, more than anticipated</i>
Depreciation and amortisation	45 016 814	9 800 000	35 216 814	359%	<i>Additional depreciation due to recognition of all infrastructure and community assets</i>
Grants and subsidies paid	388 902		388 902	100%	<i>Variance considered to be immaterial</i>
Finance Costs	9 259 287	5 898 000	3 361 287	57%	<i>More interest paid as loans were not settled in time due to cashflow constraints</i>
Bulk Purchases	41 952 251	41 300 000	652 251	2%	<i>Variance considered to be immaterial</i>
Repairs and maintenance	5 877 635	12 961 000	-7 083 365	-55%	<i>The budget for contracted services were included as part of this amount, therefore expenditure in line</i>
Contracted services	6 603 325		6 603 325	100%	<i>The budget for contracted services were included as part of general expenses</i>
General Expenses	17 946 530	35 648 000	-17 701 470	-50%	<i>Underspending due to cashflow constraints</i>
TOTAL EXPENDITURE	263 553 996	207 710 000	55 843 996	27%	

Gain / (loss) on sale of assets	-5 080	-	-5 080	100%	<i>No budget provided for</i>
Gain/ (loss) on biological assets	-2 006 556	-	-2 006 556	100%	<i>No budget provided for</i>
Gain / (loss) on fair value adjustment - Biological Assets	1 097 665	-	1 097 665	100%	<i>No budget provided for</i>
NET SURPLUS/(DEFICIT) FOR THE YEAR	-51 518 443	25 835 239	-77 353 682	-299%	



REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Naledi Local Municipality, which comprise the statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages XX to XX.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Accumulated surplus

4. Limitations placed on my audit relating to expenditure, revenue transactions and adjustments made to the accumulated surplus in prior years have not been resolved. In the absence of sufficient appropriate audit evidence to substantiate these transactions and adjustments included in the accumulated surplus of R810 140 831 (2011: R861 659 275), I was unable to verify the completeness, valuation and allocation by alternative means. Consequently I was unable to determine whether any adjustment relating to accumulated surplus in the financial statements was necessary.
5. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, rights and obligations, valuation and allocation for prior year adjustments of 2011: R3 209 746 (2010: R805 553 758) included in the accumulated surplus of R810 140 834 (2011: R861 659 277) disclosed in the statement of changes in net assets and statement of financial position. The municipality's records did not permit the application of alternative audit procedures. Furthermore, a difference of R97 133 886 exist between the prior period correction in statement of net assets and note 33 to financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.

Revenue

6. I was unable to obtain sufficient appropriate audit evidence to determine the completeness of property rates of R23 972 037 and rental income, fines and other revenue of R3 447 834 as disclosed in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently I was unable to determine whether any adjustment to revenue was necessary.
7. The equitable share grant recorded as revenue and disclosed in note 18.1 to the financial statements is understated with R5 529 407 and unspent conditional grants as disclosed in note 11 overstated with the same amount due to the incorrect allocation of funds withheld by National Treasury.
8. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, accuracy, completeness, and classification of service charges of R107 411 285 disclosed in the statement of financial performance and note 16 to the financial statements. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Expenditure

9. SA Standards of GRAP, GRAP 1, *Presentation of financial statements* require that expenditure be recognised when it is incurred. Contrary to this requirement not all bulk purchases incurred were recorded as expenditure. Consequently, bulk purchase expenditure of R41 952 251 (2011: R45 785 826) as disclosed in the statement of financial performance and note 27 to the financial statements is understated by R1 754 386 (2011: R6 787 120) and trade payables of R118 938 257 (2011: R81 725 425) as disclosed in the statement of financial position and note 8 to the financial statements with the same amount.
10. In the prior year, I was unable to obtain sufficient appropriate audit evidence for journal entries of R108 986 967. The municipality's records did not permit the application of alternative audit procedures. I could not practicably determine the effect on the other account balances or classes of transactions contained in the financial statements. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.
11. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, completeness, accuracy and classification of bulk purchases of R45 785 826 and repairs and maintenance of R2 428 281 included in repairs and maintenance of R4 110 139 disclosed in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Trade and other receivables from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for debtors' of R1 567 425 included in other receivables of R5 398 903 disclosed in the statement of financial position and note 3 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the existence, completeness, valuation and allocation, and rights of other receivables.
13. I was unable to determine whether the municipality used objective evidence to calculate the amount for the provision for impairment of receivables of R156 404 018 (2011: R93 039 987) disclosed in note 2 to the financial statements, as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39, *Financial Instruments Recognition and Measurement*. Alternative procedure performed, indicate that impairments are overstated with R11 215 408. Consequently, I was unable to satisfy myself as to the completeness, valuation and allocation of impairments of the trade and other receivables or the completeness, accuracy and occurrence of the impairment debt expense.
14. South African Statement of Generally Accepted Accounting Practice, IFRS 7, *Financial Instruments: Disclosures*, require that a sensitivity analysis, the methods and assumptions used for financial instruments with an interest rate risk be included to the financial statements. Contrary to this, no sensitivity analysis was included in note 43 for risk management.
15. I was unable to obtain sufficient appropriate audit evidence for journal entries relating to prior year corrections of R4 113 256 included in the corresponding figure of R50 552 949. The municipality's records did not permit the application of alternative audit procedures. I could not practicably determine the effect on the other corresponding account balances or classes of transactions contained in the financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.
16. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the valuation and allocation of consumer debtors of R50 522 949 disclosed in the statement of financial position and note 2 to the financial statements. The municipality could not provide sufficient appropriate audit evidence that the requirements of South African Statement of Generally Accepted Accounting Practice, IAS 39, *Financial Instruments: Recognition and Measurement*, that require after initial recognition, loans and receivables shall be measured at amortised cost using the effective interest method, were considered. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Trade and other payables from exchange transactions

17. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and obligations of trade and other payables from exchange transactions of R81 725 425 as disclosed the statement of financial position and note 8 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

VAT receivable

18. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and allocation, and rights and obligations for the VAT receivable of R17 130 760 (2011: R7 150 762) disclosed in the statement of financial position and note 5 to the financial statements. Alternative procedures indicated a difference of R3 666 070 (2011: R2 741 453) between the financial statements and the underlying returns. The municipality's records did not permit the application of further alternative audit procedures. Consequently I was unable to determine whether any adjustment to VAT receivable was necessary.

Irregular expenditure

19. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine that awards of R13 389 213 were made in terms of the municipality's supply chain management policy. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself that all irregular expenditure has been disclosed in the notes to the financial statements and I could not practicably quantify the resulting misstatement. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.
20. In the prior year, awards of R17 297 621 was made in contravention with the municipality's supply chain management policy that was not disclosed as required by section 125 of the MFMA. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Commitments

21. Commitments "approved and contracted for" of R2 730 787 (2011: R18 548 130) as disclosed in note 36 to the financial statements is understated with R4 253 846 (2011: R2 593 120) due to differences that exist between the signed contracts, the commitment register and the financial statements.
22. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, rights and obligations, completeness, classification and understandability, accuracy and valuation of commitments of R52 687 485 disclosed in note 36 to the financial statements. Alternative procedures indicated, commitments "approved not yet contracted for" is overstated with R46 108 488. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's balance is also modified because of the possible effect of this matter on the current period's figures.

Property, plant and equipment

23. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and allocation and rights of land of R136 071 996 (2011: R136 078 074) included property, plant and equipment of R949 793 236 (2011: R971 013 116) as disclosed in note 6 to the financial statements. This was due to 1978 stands registered in the name of the municipality which is not recorded in the asset register. The municipality's records did not permit the application of further alternative audit procedures. Consequently I was unable to determine whether any adjustment to these amounts was necessary.



24. SA standards of GRAP, GRAP 17, *Property, plant and equipment* requires that an item that meets the definition of property, plant and equipment should be recognised on acquisition and that after recognition as an asset, the asset should be carried at cost less accumulated depreciation and impairment losses. Contrary to these requirements the municipality expensed assets with a cost price of R4 389 768. The municipality's records did not permit the application of alternative audit procedures and consequently I was unable to determine the impact of the expensed assets on the depreciation expense in the statement of financial performance as well as the carrying amount of the property, plant and equipment balance in the statement of financial position.

Biological assets

25. SA Standards of GRAP, GRAP 101, *Agriculture* specifically excludes animals that are used primarily for non-productive purposes. Contrary to this scope exclusion the municipality disclosed game of the Leon Taljaard nature reserve as biological assets in line with GRAP 101 instead of SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. Consequently, biological assets as disclosed in the statement of financial position and note 7 to the financial statements is overstated with R3 841 700 (2011: R4 838 341) and property, plant and equipment understated with the same amount. Furthermore, I could not practically determine the misstatement in the valuation and allocation of these assets due to the lack of an appropriate accounting policy.

Cash and cash equivalents

26. I was unable to obtain sufficient appropriate audit evidence for journal entries relating to prior year corrections of R9 516 511 included in the corresponding figure of R3 298 807 disclosed in note 1 of the financial statements. The municipality's records did not permit the application of alternative audit procedures. I could not practically determine the effect on the other corresponding account balances or classes of transactions contained in the financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.

Non-current borrowings

27. South African Statement of Generally Accepted Accounting Practice, IFRS 7, *Financial Instruments: Disclosures*, requires that for all borrowings where defaults and breached occurred, the details of the any defaults during the period of principle, interest, or redemption of these loans, the carrying amount in default, and whether any default was remedied before the financial statements were issued. Contrary to this, all these requirements as per IFRS 7 have not been disclosed in note 12 to the financial statements. I was unable to practically determine the misstatement of this non disclosure in the financial statements.

Fruitless and wasteful expenditure

28. Section 125 of the MFMA requires disclosure of fruitless and wasteful expenditure. I identified fruitless and wasteful expenditure during the course of the audit, which was subsequently disclosed in note 34.1 to the financial statements. I could not practically determine whether this is the only adjustment that should have been made. I was unable to perform alternative procedures to confirm the completeness of fruitless and wasteful expenditure of R9 300 189 (2011: R43 247 962) as disclosed in note 34.1 to the financial statements. Consequently, I was unable to determine if any further adjustments to this amount was necessary.

Cash flow statement

29. Taking into account the misstatements identified in the financial statements and set out in this report, I was unable to practicably quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and presentation and disclosure of the cash flow statement and notes thereto.

Disclaimer of opinion

30. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

31. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

32. As disclosed in note 33 to the financial statements, the corresponding figures for accumulated surplus, current assets, non-current assets, current liabilities, non-current liabilities have been restated as a result of errors discovered during the audit for the year ending 30 June 2012.

Going concern

33. The statement of financial performance indicates that the Naledi Local Municipality incurred a net loss of R51 518 443 (2011: R10 594 768) during the year ended 30 June 2012 and, as of that date, the municipality's current liabilities exceeded its current assets by R135 288 513. These conditions, along with other matters as set forth in note 45, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Impairments and material losses

34. As disclosed in note 2 and 27 to the financial statements, impairments of R63 364 031 and material losses of R13 719 703 respectively were incurred as a result of significant impairment of debtors and electricity and water losses.

Unauthorised and irregular expenditure

35. As disclosed in note 34.2 to the financial statements, irregular expenditure of R14 219 746 was incurred in the current year and has not yet been dealt with in accordance with section 32 of the MFMA.
36. As disclosed in note 34.3 to the financial statements, unauthorised expenditure of R55 843 996 was incurred in the current year which has not yet been dealt with in accordance with section 32 of the MFMA.

Additional matters

37. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

38. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

39. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

40. The annual performance report included in the annual report was not presented in time for audit and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.
41. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPI).
42. The material findings are as follows:

Usefulness of information

43. The National Treasury FMPPI requires that performance indicators be well defined and verifiable and targets be specific and measureable:
- All of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.
 - All of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist.
 - All of the targets were not specific in clearly identifying the nature and the required level of performance.
 - The required performance could not be measured for all of the targets.
- This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information as well as the fact that management was aware of the requirements of the FMPPI but chose not to apply the principles and the necessary training to enable application of the principles was not received.
44. The National Treasury Framework for managing programme performance information (FMPPI) requires that the indicator should relate logically and directly to an aspect of the institution's mandate, the realisation of strategic goals and objectives. All of indicators did not relate logically and directly to an aspect of the institution's mandate and realisation of strategic goals and objectives as per the three-year integrated development plan. This was due to the lack of development and implementation of proper performance planning and management practices to provide for the development of performance indicators and targets included in the annual performance plan.

Compliance with laws and regulations

45. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Strategic planning and performance management

46. The municipal council did not review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41 and to the extent that changing circumstances demanded, as required by section 34 of the Municipal Systems



Act, 2000 (Act No.3 32 of 2000) (MSA) and Municipal Planning and Performance Management Regulation 3.

47. The municipality did not establish a performance management system/the performance management system was not in line with the priorities, objectives, indicators and targets contained in its integrated development plan, did not clarify the roles and responsibilities of each role-player in the functioning of the system, did not determine the frequency of reporting and the lines of accountability for performance, did not relate to the municipality's performance management processes and did not provide for procedures by which the system is linked to the municipality's integrated development planning processes, as required by section 38 (a) of the MSA and Municipal Planning and Performance Management Regulation 7(2)(c), (e), (f) and (g).
48. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
49. The municipality did not monitor performance, with regard to each of those development priorities and objectives and against the key performance indicators and targets set.

Annual financial statements, performance report and annual reports

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/ or supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.
51. The municipal council did not adopt an oversight report, containing comments on the annual report, within two months from the date on which the 2010/11 annual report was tabled, as required by section 129(1) of the MFMA.
52. The annual performance report for the financial year under review was not prepared, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Audit committee

53. The audit committee did not advise the council and management on matters relating to internal financial control and internal audits, risk management and performance management as required by section 166(2)(a) of the MFMA.
54. The audit committee did not advise the council and accounting officer and the management staff on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
55. The audit committee did not advise the council, accounting officer and the management staff] on matters relating to compliance with the MFMA and DoRA, as required by section 166(2)(a)(vii) of the MFMA.
56. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA and DoRA, as required by section 166(2)(b) of the MFMA.
57. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.

Internal audit

58. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to



internal controls, accounting procedures and practices, risk and risk management and loss control.

59. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b) of the MFMA.
60. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).
61. The internal audit unit did not assess the functionality and whether the performance management system complied with the requirements of the MSA, as required by Municipal Planning and Performance Management Regulation 14(1)(b)(i)(ii)(iii).
62. The internal audit unit did not audit the performance measurements on a continuous basis, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

Expenditure management

63. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
64. The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
65. Unauthorised, irregular and fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

Procurement and contract management

66. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
67. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

Revenue management

68. Revenue received was not always reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

Human resource management

69. Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of MSA.
70. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of MSA.
71. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.
72. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) MSA.
73. The competencies of financial and supply chain management officials were not assessed promptly in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels regulation 13.
74. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Regulations on Minimum Competency Levels regulation 14(2)(a).



75. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Regulations on Minimum Competency Levels regulation 14(2)(b).

Asset management

76. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MSA.

Waste management

77. The municipality operated one of their waste disposal sites without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989) (ECA), while the operational activities on their other waste disposal sites contravened or failed to comply with the requirements of a waste management license or permit and the norms and standards in terms of section 67(1)(f) and (h) of the NEMWA and section 29(4) of the ECA.
78. The municipality's waste management and disposal activities contravened or failed to comply with the requirements of section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and sections 16(1)(c) and (d) and 26(1)(b) of the NEMWA.

Internal control

79. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report:

Leadership

80. Management failed to timely appoint sufficient appropriately skilled staff in key positions within the finance, performance reporting and supply chain management units, furthermore the training and development initiatives failed to address the underlying deficiencies that caused matters to be repeatedly reported on in the audit report. Policies and procedures did not adequately guide financial, performance activities and compliance with laws and regulations.

Financial and performance management

81. The municipality did not implement a proper record keeping system to ensure that complete, relevant and accurate information is accessible and available to support financial, performance reporting and compliance with laws and regulations. Management's internal controls and processes over the preparation and presentation of financial statements were not able to ensure that the financials were free from material misstatements resulting in material corrections that had to be made during the audit.

Governance

82. Management failed to implement appropriate risk management activities to ensure that regular risk assessments are conducted and that a risk strategy is developed and monitored to address the risks.
83. The shared internal audit service was not effective during the financial year. The internal audit reports were not tabled in council for consideration of recommendations and implementation of corrective action. Council and management failed to recognise the value that internal audit can add to the municipality.



84. The shared audit committee service was not effective during the financial year. The recommendations made and reports were not tabled in council. It had no impact on the achievement of an improved audit outcome for the financial year. The audit committee also did not review the effectiveness of the internal audit during the financial year.

Auditor General

Potchefstroom

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHAPTER 7: REMEDIAL ACTIONS FOR ISSUES RAISED BY THE AUDITOR GENERAL OF SOUTH AFRICA

Below follows the municipality's action plan to address the audit report issues raised by the Auditor General during the 2011/12 audit.

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Accumulated surplus					
4. Limitations placed on my audit relating to expenditure, revenue transactions and adjustments made to the accumulated surplus in prior years have not been resolved. In the absence of sufficient appropriate audit evidence to substantiate these transactions and adjustments included in the accumulated surplus of R810 140 831 (2011: R861 659 275), I was unable to verify the completeness, valuation and allocation by alternative means. Consequently I was unable to determine whether any adjustment relating to accumulated surplus in the financial statements was necessary.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
5. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, rights and obligations, valuation and allocation for prior year adjustments of 2011: R3 209 746 (2010: R805 553 758) included in the accumulated surplus of R810 140 834 (2011: R861 659 277) disclosed in the statement of changes in net assets and statement of financial position. The municipality's records did not permit the application of alternative audit procedures. Furthermore, a difference of R97 133 886 exist between the prior period correction in statement of net assets and note 33 to financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.	Prior year audit finding - will not be reported in the 2012/13 audit report The variance of R97 133 886 is due to collapsing of the statement of changes in net assets as per request from Auditor General. The variance is does not really exist, the wrong column is being referred to	None - Will Disappear	No	None	01-Jul-11

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Revenue					
6. I was unable to obtain sufficient appropriate audit evidence to determine the completeness of property rates of R23 972 037 and rental income, fines and other revenue of R3 447 834 as disclosed in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently I was unable to determine whether any adjustment to revenue was necessary.	Property Rates - We disagree with the finding from auditors. Evidence requested was submitted within the required timeframes to the Auditors, but the evidence submitted was not considered. In our opinion the completeness of Property Rates is not in question	Submit exactly the same information submitted to auditors again to the Auditor-General to clear the completeness of Property Rates qualification in the 2012/13 audit report	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)
	Rental Income, Fines and Other Revenue - We agree with the finding	Rental Income - Get signed contracts with agreed-upon amounts in place for all hostel renters. Backdate to clear up 2011/12 issue in AR Fines - Perform reconciliation as at 30 June 2012 the clear up issue reported in 2011/12 in AR Other Revenue - Make sure all registers are in place for all other types of revenue and ensure rates charges in line with approved tariffs	Possible	David Thornhill	Mar-13
7. The equitable share grant recorded as revenue and disclosed in note 18.1 to the financial statements is understated with R5 529 407 and unspent conditional grants as disclosed in note 11 overstated with the same amount due to the incorrect allocation of funds withheld by National Treasury.	We agree with the finding, this was only reported by the auditors at the end of the audit and did not allow management the opportunity to pass the one journal to correct the problem	Prepare the one journal with support and submit to the Auditor-General for auditing. This will then be cleared in the 2012/13 audit report	No	David Thornhill	Interim Audit By Auditor General (March/April 2013)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
8. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, accuracy, completeness, and classification of service charges of R107 411 285 disclosed in the statement of financial performance and note 16 to the financial statements. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
Expenditure					
9. SA Standards of GRAP, GRAP 1, Presentation of financial statements require that expenditure be recognised when it is incurred. Contrary to this requirement not all bulk purchases incurred were recorded as expenditure. Consequently, bulk purchase expenditure of R41 952 251(2011: R45 785 826) as disclosed in the statement of financial performance and note 27 to the financial statements is understated by R1 754 386 (2011: R6 787 120) and trade payables of R118 938 257 (2011: R81 725 425) as disclosed in the statement of financial position and note 8 to the financial statements with the same amount.	We agree with the finding, however we disagree with the method the auditors used to report this finding. It was only reported for the first time with the discussion of the audit report (no previous exception was raised on this). Therefore we were not afforded the opportunity to correct this.	Finding relates to a payment of R2 000 000 made directly by Sedibeng to Vaalharts on water purchased by Naledi. One journal needs to be passed to correct this oversight. Journal with support will be submitted to Auditor-General for audit and to clear this issue from audit report 2012/13	No	David Thornhill	Mar-13

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
<p>10. In the prior year, I was unable to obtain sufficient appropriate audit evidence for journal entries of R108 986 967. The municipality's records did not permit the application of alternative audit procedures. I could not practicably determine the effect on the other account balances or classes of transactions contained in the financial statements. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>	<p>Prior year audit finding - will not be reported in the 2012/13 audit report</p>	<p>None - Will disappear</p>	<p>No</p>	<p>None</p>	<p>01-Jul-11</p>
<p>11. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, completeness, accuracy and classification of bulk purchases of R45 785 826 and repairs and maintenance of R2 428 281 included in repairs and maintenance of R4 110 139 disclosed in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>	<p>Prior year audit finding - will not be reported in the 2012/13 audit report</p>	<p>None - Will disappear</p>	<p>No</p>	<p>None</p>	<p>01-Jul-11</p>

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Trade and other receivables from exchange transactions					
12. I was unable to obtain sufficient appropriate audit evidence for debtors' of R1 567 425 included in other receivables of R5 398 903 disclosed in the statement of financial position and note 3 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the existence, completeness, valuation and allocation, and rights of other receivables.	We agree with the finding.	This amount consists of 6 debtors control accounts. We will perform an exercise to identify the debtors and reallocate to the correct accounts. Support will be submitted to the Auditor General with the journal to audit and remove the qualification from the 2012/13 AR	No	David Thornhill	Mar-13
13. I was unable to determine whether the municipality used objective evidence to calculate the amount for the provision for impairment of receivables of R156 404 018 (2011: R93 039 987) disclosed in note 2 to the financial statements, as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39, Financial Instruments Recognition and Measurement. Alternative procedure performed, indicate that impairments are overstated with R11 215 408. Consequently, I was unable to satisfy myself as to the completeness, valuation and allocation of impairments of the trade and other receivables or the completeness, accuracy and occurrence of the impairment debt expense.	We disagree with the finding. A management assessment was performed and as management we believe the provision is adequate. Furthermore the reference to the R11 215 408 relates to the departmental debtors. We believe these amounts should also be provided for, although the auditors are of a different opinion	The same calculation will be submitted again to the Auditor-General for review with additional comments for consideration. In the event that the AG still does not agree we will make the amendments by passing a journal.	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)
14. South African Statement of Generally Accepted Accounting Practice, IFRS 7, Financial Instruments: Disclosures, require that a sensitivity analysis, the methods and assumptions used for financial instruments with an interest rate risk be included to the financial statements. Contrary to this, no sensitivity analysis was included in note 43 for risk management.	We agree with the finding, however this was only communicated to management with discussion of the audit report. Therefore we were not afforded the opportunity to rectify the note	The sensitivity analysis, methods and assumptions will be included in the note for auditing purposes in 2012/13	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
15. I was unable to obtain sufficient appropriate audit evidence for journal entries relating to prior year corrections of R4 113 256 included in the corresponding figure of R50 552 949. The municipality's records did not permit the application of alternative audit procedures. I could not practicably determine the effect on the other corresponding account balances or classes of transactions contained in the financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.	We disagree with the finding as Council approved the write-off of these "old" debtor accounts as they do not exist and are not valid debtors. However this is a Prior Year Qualification and will not impact on the 2012/13 AR	None - Will disappear	No	None	01-Jul-11
16. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the valuation and allocation of consumer debtors of R50 522 949 disclosed in the statement of financial position and note 2 to the financial statements. The municipality could not provide sufficient appropriate audit evidence that the requirements of South African Statement of Generally Accepted Accounting Practice, IAS 39, Financial Instruments: Recognition and Measurement, that require after initial recognition, loans and receivables shall be measured at amortised cost using the effective interest method, were considered. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Trade and other payables from exchange transactions					
17. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and obligations of trade and other payables from exchange transactions of R81 725 425 as disclosed the statement of financial position and note 8 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
VAT receivable					
18. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and allocation, and rights and obligations for the VAT receivable of R17 130 760 (2011: R7 150 762) disclosed in the statement of financial position and note 5 to the financial statements. Alternative procedures indicated a difference of R3 666 070 (2011: R2 741 453) between the financial statements and the underlying returns. The municipality's records did not permit the application of further alternative audit procedures. Consequently I was unable to determine whether any adjustment to VAT receivable was necessary.	We agree with the finding	A reassessment will be done on the VAT and VAT201 returns will be amended to ensure it agrees to the AFS. The information will be submitted to the Auditor General for consideration	Possible	David Thornhill	Mar-13

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Irregular expenditure					
19. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine that awards of R13 389 213 were made in terms of the municipality's supply chain management policy. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself that all irregular expenditure has been disclosed in the notes to the financial statements and I could not practicably quantify the resulting misstatement. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
20. In the prior year, awards of R17 297 621 was made in contravention with the municipality's supply chain management policy that was not disclosed as required by section 125 of the MFMA. Consequently my audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
Commitments					
21. Commitments "approved and contracted for" of R2 730 787 (2011: R18 548 130) as disclosed in note 36 to the financial statements is understated with R4 253 846 (2011: R2 593 120) due to differences that exist between the signed contracts, the commitment register and the financial statements.	We agree with the finding, however the support for the variance was submitted to the auditors, but it was not considered for audit report purposes. We believe the support is justified and that this qualification is not valid.	The support will be submitted to the Auditor-general again for audit purposes to ensure this issue is resolved for AR 2012/13 purposes	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
22. In the prior year, I was unable to obtain sufficient appropriate audit evidence to determine the occurrence, rights and obligations, completeness, classification and understandability, accuracy and valuation of commitments of R52 687 485 disclosed in note 36 to the financial statements. Alternative procedures indicated, commitments "approved not yet contracted for" is overstated with R46 108 488. As management did not take any corrective steps, I was unable to determine whether any adjustment to this amount was necessary. My opinion on the current period's balance is also modified because of the possible effect of this matter on the current period's figures.	Prior year audit finding - will not be reported in the 2012/13 audit report	None - Will disappear	No	None	01-Jul-11
Property, plant and equipment					
23. I was unable to obtain sufficient appropriate audit evidence to determine the existence, completeness, valuation and allocation and rights of land of R136 071 996(2011: R136 078 074) included property, plant and equipment of R949 793 236(2011: R971 013 116) as disclosed in note 6 to the financial statements. This was due to 1978 stands registered in the name of the municipality which is not recorded in the asset register. The municipality's records did not permit the application of further alternative audit procedures. Consequently I was unable to determine whether any adjustment to these amounts was necessary.	We disagree with the finding. We submitted sufficient support to the auditors to clarify this issue and to indicate that the 1978 stands relate to RDP housing. As management we believe the information is adequate and therefore this qualification is not valid.	Supporting documentation will be submitted to AG again and will be resolved for 2012/13 AR purposes.	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
24. SA standards of GRAP, GRAP 17, Property, plant and equipment requires that an item that meets the definition of property, plant and equipment should be recognised on acquisition and that after recognition as an asset, the asset should be carried at cost less accumulated depreciation and impairment losses. Contrary to these requirements the municipality expensed assets with a cost price of R4 389 768. The municipality's records did not permit the application of alternative audit procedures and consequently I was unable to determine the impact of the expensed assets on the depreciation expense in the statement of financial performance as well as the carrying amount of the property, plant and equipment balance in the statement of financial position.	We agree with the finding.	The journal will be processed to account for the cables classified under Repairs and Maintenance as part of assets/inventory. The journal and support will be submitted to AG for audit and issue will be resolved for 2012/13 AR purposes	No	David Thornhill	Mar-13
Biological assets					
25. SA Standards of GRAP, GRAP 101, Agriculture specifically excludes animals that are used primarily for non-productive purposes. Contrary to this scope exclusion the municipality disclosed game of the Leon Taljaard nature reserve as biological assets in line with GRAP 101 instead of SA Standards of GRAP, GRAP 17, Property, plant and equipment. Consequently, biological assets as disclosed in the statement of financial position and note 7 to the financial statements is overstated with R3 841 700 (2011: R4 838 341) and property, plant and equipment understated with the same amount. Furthermore, I could not practically determine the misstatement in the valuation and allocation of these assets due to the lack of inappropriate accounting policy.	We agree with the finding, however please note that this exception was issued after the draft audit report was already discussed, therefore the auditors did not afford us ample time to respond/correct this error	The assets will be reclassified from Biological Assets to PPE and submitted to AG for audit to be resolved for 2012/13 AR purposes.	No	David Thornhill	Mar-13

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Cash and cash equivalents					
26. I was unable to obtain sufficient appropriate audit evidence for journal entries relating to prior year corrections of R9 516 511 included in the corresponding figure of R3 298 807 disclosed in note 1 of the financial statements. The municipality's records did not permit the application of alternative audit procedures. I could not practicably determine the effect on the other corresponding account balances or classes of transactions contained in the financial statements. Consequently I was unable to determine whether any adjustment to this amount was necessary.	We disagree with the finding, the support documentation was submitted in time to the auditors, however it was not considered.	Support will again be submitted to Auditor-General to ensure this issue is resolved for 2012/13 AR purposes	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)
Non-current borrowings					
27. South African Statement of Generally Accepted Accounting Practice, IFRS 7, Financial Instruments: Disclosures, requires that for all borrowings where defaults and breached occurred, the details of the any defaults during the period of principle, interest, or redemption of these loans, the carrying amount in default, and whether any default was remedied before the financial statements were issued. Contrary to this, all these requirements as per IFRS 7 have not been disclosed in note 12 to the financial statements. I was unable to practically determine the misstatement of this non disclosure in the financial statements.	We disagree with the finding, the information was included in Appendix A to the AFS.	This issue will be discussed with the Auditor-General and resolved for 2012/13 AR purposes	No	David Thornhill	Interim Audit by Auditor General (March/April 2013)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Fruitless and wasteful expenditure					
28. Section 125 of the MFMA requires disclosure of fruitless and wasteful expenditure. I identified fruitless and wasteful expenditure during the course of the audit, which was subsequently disclosed in note 34.1 to the financial statements. I could not practically determine whether this is the only adjustment that should have been made. I was unable to perform alternative procedures to confirm the completeness of fruitless and wasteful expenditure of R9 300 189(2011: R43 247 962) as disclosed in note 34.1 to the financial statements. Consequently, I was unable to determine if any further adjustments to this amount was necessary.	We disagree with the finding. Through procedures performed by management fruitless and wasteful expenditure was disclosed in the AFS. The other two issues picked up by the auditors were the only other two areas for fruitless and wasteful expenditure and therefore management believes all relevant F&W expenditure was disclosed.	Discuss the finding with Auditor-General and resolved for 2012/13 AR purposes	Possible	David Thornhill	Interim Audit by Auditor General (March/April 2013)
Cash flow statement					
29. Taking into account the misstatements identified in the financial statements and set out in this report, I was unable to practicably quantify the misstatements in the cash flow statement and notes thereto. Consequently, I was unable to determine the accuracy, completeness and presentation and disclosure of the cash flow statement and notes thereto.	We disagree with the finding for the 2011/12 year as the cash flow balances	Cash flow will be reperformed and submitted again to Auditor-General for audit purposes to resolve this issue in 2012/13 AR purposes	No	David Thornhill	Apr-13
Predetermined Objectives					
The Accounting officer of the Naledi Local Municipality did not submit the Annual Performance report on 31 August 2012 with the Annual Financial statement to the Office of the Auditor General as required by section 46 of Municipal Systems act 32 of 2000	Management wants to inform the auditors that the S 46 report is currently under review and will be submitted as soon as possible	This matter will be investigated and management will implement controls to ensure that the municipality does comply with the applicable laws and regulations to submit the Annual Performance Report on time to the AG.	No	PMS/ Mr Thornhill	(August-13)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
<p>SDBIP not approved and submitted to provincial treasury on time as required by section 53(1)(c)(II) of Municipal Finance Management Act No. 56 of 2000, which states that the accounting officer shall take all reasonable steps to ensure that the:</p> <p>a) Draft service delivery are approved by the mayor within 28 days after the approval of the budget</p> <p>b) Annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers. No proof could be provided that the accounting officer complied with the legislation. No evidence could be provided that the Mayor received and approved for the SDBIP. No confirmation or correspondence was received that the SDBIP was tabled to the Council for note taking as required by section 53 of the MFMA.</p> <p>The entity does not identify risks relating to the achievement of financial and performance reporting objectives</p>	<p>We agree with the finding. Management will ensure that the SDBIP is approved by the mayor and tabled to council</p>	<p>Management will ensure that the SDBIP is approved by the council 28 days after the approval of the budget and it will be submitted to provincial treasury within 10 working days after the approval of the adjustment budget.</p>	Yes	PMS/ Mr Thornhill	28 days after approval (June/July-13)
<p>IDP not submitted to Local Government within 10 days after its adoption as required by Section 32 of the MSA which states that: (1) (a) The municipal manager of a municipality must submit a copy of the integrated development plan as adopted by the council of the municipality, and any subsequent amendment to the plan, to the MEC for local government in the province within 10 days of the adoption or amendment of the plan.</p>	<p>No management comments received.</p>	<p>The approved IDP will be submitted to the MEC of Local Government within 10 days after its adoption.</p>	No	Mr Pretorius	10 days after adoption (July/August-13)
<p>No system for performance management as required by section 38 of the Municipal System Act, the municipality must establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan.</p>	<p>We agree with the finding, and will ensure that policies and procedures are in place. The performance management system has been implemented in the 2012/13 financial year and the PMS unit has been established with two officials in the 2012/13 financial year.</p>	<p>Management will have a formal written procedure manual for performance management system.</p>	No	PMS/ Mr Thornhill	(January-13)

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
No assessment on performance: Quarterly reports and mid-term report not done as required by Section 40 of the MSA which states that: "A municipality must establish mechanisms to monitor and review its performance management system"	No management comments received.	Quarterly reports and mid-term report will be prepared to ensure that assessment on performance is done	No	PMS	(25 January-13)
Performance contracts not submitted as required by section 62 of the MFMA which states that: "(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards in accordance with any prescribed norms and standards"	No management comments received.	Performance contracts will be available and signed by relevant officials and submitted for the purpose of the audit.	No	PMS	December 2012
No community involvement in identifying KPIs as required by Section 42 of the MSA states: A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system, and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality	No management comments received.	Community will be involved in the identification of the KPIs through appropriate municipal structures.	No	Steering Committee & Rep Forum	November 2013
The performance measurements were not audited by Internal Audit as required by Section 45(1)(a) which states that the results of performance measurements in terms of section 41 (1) (c) must be audited (a) as part of the municipality's internal auditing processes;	No management comments received.	Management will ensure that the performance measurements are audited by internal audit before review by the Auditor General.	No	PMS/ INTERNAL AUDIT	May 2013
The performance objectives not aligned to the budget as required by section 38 of the Municipal System Act, the municipality must establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan.	No management comment received	Management will ensure that the performance objectives in the IDP and the SDBIP are budgeted to ensure that there are financial resources in achieving these objectives	No	PMS/ Mr Thornhill	January 2014

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Annual report and portfolio of evidence files not submitted for the audit as required by section 62 of the MFMA (1) which states that "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards in accordance with any prescribed norms and standards"	No management comment received	Management will ensure that the quarterly reports on performance are prepared with the files supporting the achievements reported on.	No	PMS	January 2013
Financial Plan not reflected in the IDP as required by Section 26(h) of MSA states that: integrated development plan must reflect— (h) a financial plan, which must include a budget projection for at least the next three years.	No management comments received.	The financial plan which reflects three years budget projection, financial resources that are available for capital project developments and operational expenditure should be included in the IDP.	Yes	PMS/ Mr Thornhill	July 2013

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE NALEDI LOCAL MUNICIPALITY 30 JUNE 2012	MANAGEMENT RESPONSE	WAY FORWARD	REPORTED AGAIN IN 2012/13?	Person Responsible	TIME - FRAME
Employee Costs Non submission of overtime forms, the following documents were not submitted as audit evidence: 1. Request for overtime, this is a pre-approval form that is authorised by the head of the department for the employee to work overtime and work specified hours. 2. Attendance registers for July 2011. The attendance registers submitted for December 2011 and April 2012, were incomplete as not all the employees that worked overtime during these months were included. Therefore the hours worked as per the Payroll system could not be confirmed as approved hours, as required by Section 65(2)(a) of the MFMA states: "the accounting officer must take reasonable steps to ensure that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payments of funds.	Management regrettably agrees. The municipality does not have proper overtime forms in place; the attendance registers (which includes overtime) are however properly authorized and submitted to HR on a monthly basis. The risk of unauthorized expenditure is thereby mitigated. Management will ensure that there is a control process in place in the near future. Attendance registers for July 2011 have been attached to this communiqué.	Management will ensure that the head of departments submitted pre-approved overtime forms with the overtime schedules prior to the payment of the overtime hours is made.	No	K. Shomang	(July 2012- June 2013)

CHAPTER 8

LOCAL ECONOMIC DEVELOPMENT

8.1. Introduction

LED is one of the five key legislatively determined deliverables/ mandates for local govt. It is a new phenomenon, which charges municipalities or government with the responsibility to instil means to grow local economies. Of which will result in creating jobs, alleviating poverty and redistributing resources and opportunities among local people.

8.2. Performance Highlights of Local Economic and Social Development

LOCAL ECONOMIC DEVELOPMENT							
Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
LOCAL ECONOMIC DEVELOPMENT							
Promotion of LED	Number of meetings to Sensitize stakeholders about the need to prioritize LED.	No structured mechanism of interaction in place	2	<u>Target Achieved:</u> 2 x meetings held on the 27-28 March 2012 and April 2012	DRRSMDM	N/A	N/A
	Developed Investment attraction Policy	No Policy in place	Mar-12	<u>Target Partly Achieved:</u> Draft investment attraction policy in place	Operational	Support towards LED is minimal	Council to provide adequate Support to the Venture and the policy to be reviewed and adopted in the next financial year

Corporate Objective	Key Performance Indicator	Baseline	Targets and Performance			Comments and Challenges	Remedial Action
			Target	Actual Performance	Budget / Spent		
Promotion of LED	Number of jobs created through LED and other initiatives	Job opportunities are provided through EPWP mainly	100	<u>Target Exceeded:</u> 520 temporary jobs created	R1'175'000.00	The municipality needed to utilize the grant before end of the financial year, hence more jobs were created	A Specific programme to be developed for the next financial Year (12/13) to ensure that the jobs created are planned for
	Revised BEE Policy	Non application of the existing BEE policy	Mar-12	<u>Target Partly Achieved:</u> Draft BEE policy in place	operational	Support towards LED is minimal	Council to provide adequate Support to the Venture and the policy to be reviewed and adopted in the next financial year
	Developed LED Strategy	LED Strategy non-existent	Dec-11	<u>Target Achieved:</u> LED strategy developed	Operational	N/A	N/A